

FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN

February 28, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Baraga, Michigan</b>	County <b>Baraga</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>10/11/05</b>	Date Accountant Report Submitted to State: <b>10/28/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Joseph M. Daavettila, P.C., CPA</b>			
Street Address <b>417 Shelden Avenue</b>	City <b>Houghton</b>	State <b>Mi</b>	ZIP <b>49931</b>
Accountant Signature <i>Joseph M. Daavettila, P.C., CPA</i>			Date <b>10/28/05</b>

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**JOSEPH M. DAAVETILA, P.C.**

*Certified Public Accountant*

417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 11, 2005

To the Village Council  
Village of Baraga, Michigan

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village of Baraga's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baraga's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 11, 2005, on our consideration of the Village of Baraga, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

As described in Note A the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of February 28, 2005.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 49 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Baraga, Michigan's basic financial statements. The introductory section, individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 28, 2005  
(Unaudited)

The following discussion and analysis of the Village of Baraga's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2005. Please read it in conjunction with the Village's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

The Village's net assets remained virtually unchanged as a result of this year's operations. Net assets of our business-type activities increased by \$37,615, or .5 percent, net assets of our government activities increased by \$23,700, or .7 percent

The Village's General Fund continues to be supplemented by a significant transfer of \$400,000 from the Electric Fund.

The Village's General Fund fund equity increased \$31,280 even while taking \$45,800 less in transfers from the Electric Fund than the amount budgeted.

The Major Street Fund increased its balance by \$21,138 while the Local Street lost \$10,010 in fund balance.

The Water Fund retained earnings decreased by \$44,912, much of it through depreciation. However, the fund is still maintaining an adequate cash flow.

The Electric Fund still continues to stay profitable with an increase of \$83,779 in fund equity despite the substantial transfers to other funds.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 11 and 12 provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's individual funds.

**Reporting the Village as a Whole**

Our analysis of the Village as a whole begins on page 5. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

These two statements report the Village's net assets and changes to them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

Governmental activities - Most of the Village's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Property taxes, state revenue sharing, transfers from the Electric Fund, and state and federal grants finance most of these activities.

Business-type activities - The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and electric departments are reported here.

Component units - The Village includes the Village of Baraga Downtown Development Authority in its report - although legally separate, this "component unit" is important because the Village is financially accountable for it.

### Reporting the Village's Most Significant Funds

The analysis of the Village's funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Village Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.



# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Proprietary Funds - When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Village's other programs and activities - such as the Village's Motor Vehicle Fund.

## The Village as Trustee

Many communities may serve as a trustee, or fiduciary, for its employees' pension plan. In these communities, the government may hold funds in trust that can only be used for trust beneficiaries. The Village of Baraga does not maintain any fiduciary funds - our employees' pension plan system is managed by the Michigan Employees' Retirement System.

## The Village as a Whole

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Village's governmental and business-type activities.

Table 1  
Village of Baraga's Net Assets  
February 28, 2005

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,507,070	\$ 3,912,733	\$ 5,419,803
Capital assets	<u>2,029,567</u>	<u>5,810,207</u>	<u>7,839,774</u>
Total assets	\$ <u>3,536,637</u>	\$ <u>9,722,940</u>	<u>\$13,259,577</u>
Long-term liabilities	\$ 218,187	\$ 1,843,500	\$ 2,061,687
Other liabilities	<u>72,691</u>	<u>193,033</u>	<u>265,724</u>
Total liabilities	\$ <u>290,878</u>	\$ <u>2,036,533</u>	<u>\$ 2,327,411</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 1,764,143	\$ 3,928,207	\$ 5,692,350
Restricted	-	189,855	189,855
Unrestricted	<u>1,481,616</u>	<u>3,568,345</u>	<u>5,049,961</u>
Total net assets	\$ <u>3,245,759</u>	\$ <u>7,686,407</u>	<u>\$10,932,166</u>

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year assets, liabilities, and change in net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 2  
Village of Baraga's Changes in Net Assets  
February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 30,979	\$ 2,036,163	\$ 2,067,142
Operating grants and contributions	603,880	-	603,880
Capital grants and contributions	-	204,299	204,299
General revenues:			
Property taxes	147,294	-	147,294
Investment earnings (loss)	42,112	( 50,083)	( 7,971)
Gain on sale of assets	8,125	-	8,125
Miscellaneous	24,743	-	24,743
Total revenues	<u>\$ 857,133</u>	<u>\$ 2,190,379</u>	<u>\$ 3,047,512</u>
Expenses:			
General government	\$ 548,755	\$ -	\$ 548,755
Public safety	194,389	-	194,389
Public works	412,852	-	412,852
Health and welfare	18,196	-	18,196
Community and economic development	2,286	-	2,286
Recreation and culture	41,173	-	41,173
Interest on long-term debt	12,753	-	12,753
Water	-	550,666	550,666
Sewer	-	127,179	127,179
Electric	-	1,111,130	1,111,130
Total expenses	<u>\$ 1,230,404</u>	<u>\$ 1,788,975</u>	<u>\$ 3,019,379</u>
Increase (decrease) in net assets before transfers	(\$ 373,271)	\$ 401,404	\$ 28,133
Transfers	<u>396,971</u>	<u>( 363,789)</u>	<u>33,182</u>
Increase in net assets	\$ 23,700	\$ 37,615	\$ 61,315
Net assets-beginning of year	<u>3,222,059</u>	<u>7,648,792</u>	<u>10,870,851</u>
Net assets-end of year	<u>\$ 3,245,759</u>	<u>\$ 7,686,407</u>	<u>\$10,932,166</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Governmental Activities**

Again, because this is the first year to report Governmental Activities on an accrual basis of accounting, a comparison of prior years is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenue and expenses and provide explanation for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the Village's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Overall this year, there was a small net gain of \$61,315 to the net assets of the Village. You may notice a decrease in net assets from Governmental Activities of \$373,271 - this decrease was actually anticipated in the Village's budget - the Electric fund made a tremendous transfer of \$400,000 to help supplement Governmental Activities. After the transfers made by the Business-type Activities, there was a \$37,615 increase in net assets for Business-type Activities.

### **Business-type Activities (Water, Sewer, and Electric)**

Overall this year, there was an increase in net assets from Business-type activities of \$401,404 before transfers, with most of the increase coming from the Electric Fund. The Village's Electric Fund earned \$412,675 in operating income and transferred \$404,850 to Governmental Activities. The Sewer Fund held its own this year with a small operating loss of \$2,966, but an overall decrease in net assets of \$91,852, due largely to an adjustment in the Village's investment in the Baraga Village/Keweenaw Bay Reservation Waste Water Authority. The Water Fund increased net assets by \$84,038 - much of it due to a capital contribution of \$204,299.

### **The Village Funds**

With the implementation of new accounting standards, the analysis of current and prior year governmental funds (particularly the General Fund) balance sheets is difficult to do. In subsequent years this section will discuss and analyze significant differences. However, some individual funds are not affected by these new account values for various reasons and a review of those funds follows.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following schedule presents a summary of general, special revenue, and debt service fund revenues and expenditures for the fiscal year February 28, 2005 and the amount of increase and decrease in relation to the prior year.

Table 3  
Village of Baraga's General,  
Special Revenue, and Debt Service  
Revenues and Expenditures  
February 28, 2005

	<u>2005 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2004</u>
Revenues:			
Taxes	\$ 168,460	18.1	\$ 16,823
Intergovernmental revenues	309,938	33.3	38,863
Charges for services	9,466	1.0	2,050
Interest and rents	42,112	4.5	( 5,994)
Other revenue	<u>400,838</u>	<u>43.1</u>	<u>( 255,395)</u>
Total revenues	<u>\$ 930,814</u>	<u>100.0</u>	<u>(\$ 203,653)</u>
Expenditures:			
General governmental administration	\$ 588,117	48.0	(\$ 43,283)
Public safety	192,820	15.7	3,424
Public works	290,356	23.7	( 169,629)
Health and welfare	18,196	1.5	( 5,104)
Community and economic development	36,286	3.0	( 63,714)
Recreation and culture	42,239	3.4	6,744
Debt service	<u>57,549</u>	<u>4.7</u>	<u>190</u>
Total expenditures	<u>\$1,225,563</u>	<u>\$ 100.0</u>	<u>(\$ 271,372)</u>

The increase in Tax revenue is due to the additional delinquent taxes received in 2005, while the increase in Intergovernmental revenues is due to the increase in Act 51 monies the Village received from the state for the street funds. The decrease in Other revenue is due to the Gateway project being counted in the 2004 statement. The decrease in expenditures for community and economic development is due to the fact that a \$100,000 loan from the Revolving Loan Fund was made in 2004, while a \$34,000 loan was made in 2005.

## General Fund Budgetary Highlights

While the General Fund continues to be heavily funded from the Electric Fund, the General Fund equity did increase \$31,280 without receiving an additional \$45,800 budgeted from the Electric Fund. There were no extraordinary deviations from the budget, and the fund is in overall adequate shape.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Capital Asset and Debt Administration

Capital Assets - On February 28, 2005, the Village had \$12,134,620 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water.

Table 4  
Capital Assets at Year-end  
Net of Accumulated Depreciation  
February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 121,651	\$ -	\$ 121,651
Buildings	832,092	-	832,092
Improvements	1,521,413	-	1,521,413
Equipment	1,104,509	85,328	1,189,837
Infrastructure	40,111	8,429,516	8,469,627
Total	<u>\$ 3,619,776</u>	<u>\$ 8,514,844</u>	<u>\$12,134,620</u>

Debt - On February 28, 2005, the Village had \$2,101,392 in bonds, notes, and contracts outstanding.

Table 5  
Outstanding Debt at Year End  
Bonds and Notes Payable  
February 28, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue Bonds	\$ -	\$ 1,882,000	\$ 1,882,000
Installment Purchase Contracts	219,392	-	219,392
	<u>\$ 219,392</u>	<u>\$ 1,882,000</u>	<u>\$ 2,101,392</u>

## Economic Factors for Next Year's Budgets and Rates

The two largest issues facing the Village in the upcoming year are (1) the Joint Wastewater Project and (2) the expiration of the Village's ten year contract with the U.P. Power Company (UPPCO) on December 31, 2005.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In the summer of 2005, the Village and the Joint Wastewater Authority Board will begin construction on a much needed lagoon expansion and line replacement project. In order to finance the project the Village will lease the Wastewater system from the Joint Wastewater Authority for the term of a twenty (20) year bond, and will eventually pay off a \$2.89 million loan from the Michigan Department of Environmental Quality (DEQ). The total project will consist of a \$3,319,000 expenditure, with a \$150,000 grant from the Michigan Economic Development Council, a \$279,000 grant from Indian Health Services, and the \$2,890,000 loan from DEQ. The resulting loan from the DEQ will undoubtedly cause Wastewater rates to increase in order to pay off the loan. In concert with the Wastewater project, the Village will attempt to conduct public works projects that will supplement the Wastewater project. While several of the streets are torn and excavated for the Wastewater project, the Village will look to replace storm and water lines at the same time to save money in restoration efforts. Hence, much of the public works budget will center on supplemental work for the Wastewater project.

The expiration of a ten year contract with UPPCO is the second major issue facing the Village. On December 31, 2005, the Village's current contract with UPPCO will expire, and a new power rate will go into effect. The rates to the Village will increase potentially up to 70%, and the Village will not be able to absorb such a huge increase. The Village will likely raise rates for customers, possibly up to 40%, to recuperate some of the losses the Village will take on the new contract.

### CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact the Village Manager's Office at 100 Hemlock Street, Baraga, Michigan 49908.

VILLAGE OF BARAGA, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
February 28, 2005

	Primary Government			
	Governmental Activities	Business - Type Activities	Total	Component Unit
<u>ASSETS</u>				
Cash				
Accounts receivable	\$ 442,748	\$ 769,660	\$ 1,212,408	\$ 387,561
Taxes receivable	5,720	34,485	40,205	-
Prepaid expense	30,804	-	30,804	-
Due from other governmental units	-	-	-	3,089
Due from component unit	12,666	131,251	143,917	153,586
Internal balances	50	3,000	3,050	-
Restricted assets	60,395 (	60,395)	-	-
Investments	-	189,855	189,855	-
Investments in joint venture	-	181,104	181,104	-
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	-	113,169	113,169	-
Long-term loans	-	2,550,604	2,550,604	-
Capital assets - net	954,687	-	954,687	-
	<u>2,029,567</u>	<u>5,810,207</u>	<u>7,839,774</u>	<u>19,418</u>
TOTAL ASSETS	<u>\$ 3,536,637</u>	<u>\$ 9,722,940</u>	<u>\$13,259,577</u>	<u>\$ 563,654</u>
<u>LIABILITIES</u>				
Cash overdraft	\$ 12,082	\$ 35,455	\$ 47,537	\$ -
Accounts payable	8,206	70,988	79,194	-
Accrued expenses	5,166	16,210	21,376	-
Due to primary government	-	-	-	3,050
Due to other governmental units	-	-	-	95,287
Payable from restricted assets - customer deposits	-	-	-	-
Noncurrent liabilities:	-	31,880	31,880	-
Due within one year	47,237	38,500	85,737	-
Due in more than one year	<u>218,187</u>	<u>1,843,500</u>	<u>2,061,687</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 290,878</u>	<u>\$ 2,036,533</u>	<u>\$ 2,327,411</u>	<u>\$ 98,337</u>
<u>NET ASSETS</u>				
Invested in capital assets net of related debt	\$ 1,764,143	\$ 3,928,207	\$ 5,692,350	\$ -
Restricted for debt service	-	157,975	157,975	-
Restricted for customer deposits	-	31,880	31,880	-
Unrestricted	<u>1,481,616</u>	<u>3,568,345</u>	<u>5,049,961</u>	<u>465,317</u>
TOTAL NET ASSETS	<u>\$ 3,245,759</u>	<u>\$ 7,686,407</u>	<u>\$10,932,166</u>	<u>\$ 465,317</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
For the Year ended February 28, 2005

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 548,755	\$ 10,114	\$ 413,856	\$ -
Public safety	194,389	677	45,638	-
Public works	412,852	9,466	144,386	-
Health and welfare	18,196	-	-	-
Culture and recreation	41,173	10,722	-	-
Economic development	2,286	-	-	-
Interest on long-term debt	12,753	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$1,230,404</u>	<u>\$ 30,979</u>	<u>\$ 603,880</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 550,666	\$ 388,145	\$ -	\$ 204,299
Sewer	127,179	124,213	-	-
Electric	<u>1,111,130</u>	<u>1,523,805</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$1,788,975</u>	<u>\$2,036,163</u>	<u>\$ -</u>	<u>\$ 204,299</u>
TOTAL PRIMARY GOVERNMENT	<u>\$3,019,379</u>	<u>\$2,067,142</u>	<u>\$ 603,880</u>	<u>\$ 204,299</u>
Component Unit - DDA	<u>\$ 17,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Unrestricted investment earnings				
Miscellaneous				
Special item - Gain on sale of assets				
Loss from investment in Baraga Village/Keweenaw				
Bay Joint Waste Water Authority				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

The accompanying notes to financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets  
Primary Government

Government Activities	Business - type Activities	Total	Component Units
(\$ 124,785)	\$ -	(\$ 124,785)	
( 148,074)	-	( 148,074)	
( 259,000)	-	( 259,000)	
( 18,196)	-	( 18,196)	
( 30,451)	-	( 30,451)	
( 2,286)	-	( 2,286)	
( 12,753)	-	( 12,753)	
(\$ 595,545)	\$ -	(\$ 595,545)	
\$ -	\$ 41,778	\$ 41,778	
-	( 2,966)	( 2,966)	
-	412,675	( 412,675)	
\$ -	\$ 451,487	\$ 451,487	
(\$ 595,545)	\$ 451,487	(\$ 144,058)	
\$ -	\$ -	\$ -	(\$ 17,569)
\$ 147,294	\$ -	\$ 147,294	\$ 86,671
42,112	38,803	80,915	2,033
24,743	-	24,743	-
8,125	-	8,125	-
-	( 88,886)	( 88,886)	-
396,971	( 363,789)	33,182	7,879
\$ 619,245	(\$ 413,872)	\$ 205,373	\$ 96,583
\$ 23,700	\$ 37,615	\$ 61,315	\$ 79,014
\$3,222,059	\$7,648,792	\$10,870,851	\$ 386,303
\$3,245,759	\$7,686,407	\$10,932,166	\$ 465,317

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 41,208	\$ 38,232	\$ 4,201
Accounts receivable	5,720	-	-
Taxes receivable	19,888	-	-
Due from other funds	62,034	-	8,200
Due from other governmental units	-	-	-
Due from component units	-	-	-
Long-term loan	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 128,850</u>	<u>\$ 38,232</u>	<u>\$ 12,401</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	6,853	-	-
Due to other funds	24,953	10,768	12,385
Deferred revenue	19,888	-	-
	<u>51,694</u>	<u>10,768</u>	<u>12,385</u>
TOTAL LIABILITIES	<u>\$ 51,694</u>	<u>\$ 10,768</u>	<u>\$ 12,385</u>
<u>FUND BALANCES</u>			
Unreserved, reported in:			
General fund	\$ 77,156	\$ -	\$ -
Special revenue funds	-	27,464	16
Debt service fund	-	-	-
	<u>77,156</u>	<u>27,464</u>	<u>16</u>
TOTAL FUND BALANCES	<u>\$ 77,156</u>	<u>\$ 27,464</u>	<u>\$ 16</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 128,850</u>	<u>\$ 38,232</u>	<u>\$ 12,401</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Road</u>	<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 9,792	\$ 323,545	\$ 100	\$ 417,078
-	-	-	-	-	5,720
10,916	-	-	-	-	30,804
10,797	14,360	-	-	-	95,391
5,335	-	-	-	-	5,335
-	-	-	50	-	50
-	-	2,585	952,102	-	954,687
<u>\$ 27,048</u>	<u>\$ 14,360</u>	<u>\$ 12,377</u>	<u>\$1,275,697</u>	<u>\$ 100</u>	<u>\$1,509,065</u>
\$ -	\$ 12,082	\$ -	\$ -	\$ -	\$ 12,082
-	1,205	-	50	-	8,108
4,000	1,061	-	4,278	-	57,445
13,083	-	-	952,102	-	985,073
<u>\$ 17,083</u>	<u>\$ 14,348</u>	<u>\$ -</u>	<u>\$ 956,430</u>	<u>\$ -</u>	<u>\$1,062,708</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,156
9,965	12	12,377	319,267	-	369,101
-	-	-	-	100	100
<u>\$ 9,965</u>	<u>\$ 12</u>	<u>\$ 12,377</u>	<u>\$ 319,267</u>	<u>\$ 100</u>	<u>\$ 446,357</u>
<u>\$ 27,048</u>	<u>\$ 14,360</u>	<u>\$ 12,377</u>	<u>\$1,275,697</u>	<u>\$ 100</u>	<u>\$1,509,065</u>

VILLAGE OF BARAGA, MICHIGAN  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO STATEMENT OF NET ASSETS  
 February 28, 2005

VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET ASSETS  
February 28, 2005

Total fund balance - total governmental funds	\$ 446,357
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,818,464
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	263,366
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	( 5,166)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	988,162
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	( <u>265,424</u> )
Net assets of governmental activities	<u>\$3,245,759</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year ended February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>REVENUES:</u>			
Taxes	\$ 143,508	\$ -	\$ -
Intergovernmental revenues	165,552	97,375	47,011
Service charges	9,466	-	-
Interest	9,279	-	-
Other revenue	316,888	-	-
TOTAL REVENUES	\$ 644,693	\$ 97,375	\$ 47,011
<u>EXPENDITURES:</u>			
General government	\$ 588,003	\$ -	\$ -
Public safety	192,820	-	-
Public works	90,662	100,907	98,787
Health and welfare	18,196	-	-
Culture and recreation	27,822	-	-
Economic development	-	-	-
Debt service:			
Principal	45,117	-	-
Interest and other charges	12,432	-	-
TOTAL EXPENDITURES	\$ 975,052	\$ 100,907	\$ 98,787
Excess (deficiency) of revenues over expenditures	(\$ 330,359)	(\$ 3,532)	(\$ 51,776)
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers in	\$ 410,000	\$ 24,670	\$ 41,766
Transfers out	( 48,361)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 361,639	\$ 24,670	\$ 41,766
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 31,280	\$ 21,138	(\$ 10,010)
Fund balances at beginning of year	\$ 45,876	\$ 6,326	\$ 10,026
Fund balances at end of year	\$ 77,156	\$ 27,464	\$ 16

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Road</u>	<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Debt Service</u>	<u>Total</u>
\$ 24,952	\$ -	\$ -	\$ -	\$ -	\$ 168,460
-	-	-	-	-	309,938
-	-	-	-	-	9,466
-	10,722	-	32,833	-	42,112
-	-	2,475	70,753	-	400,838
<u>\$ 24,952</u>	<u>\$ 10,722</u>	<u>\$ 2,475</u>	<u>\$ 103,586</u>	<u>\$ -</u>	<u>\$ 930,814</u>
\$ -	\$ -	\$ 114	\$ -	\$ -	\$ 588,117
-	-	-	-	-	192,820
-	-	-	-	-	290,356
-	14,417	-	-	-	18,196
-	-	-	-	-	42,239
-	-	-	36,286	-	36,286
-	-	-	-	-	45,117
-	-	-	-	-	12,432
<u>\$ -</u>	<u>\$ 14,417</u>	<u>\$ 114</u>	<u>\$ 36,286</u>	<u>\$ -</u>	<u>\$1,225,563</u>
\$ 24,952	(\$ 3,695)	\$ 2,361	\$ 67,300	\$ -	(\$ 294,749)
\$ -	\$ 3,650	\$ -	\$ -	\$ -	\$ 480,086
( 24,754)	-	-	( 10,000)	-	( 83,115)
<u>(\$ 24,754)</u>	<u>\$ 3,650</u>	<u>\$ -</u>	<u>(\$ 10,000)</u>	<u>\$ -</u>	<u>\$ 396,971</u>
\$ 198	(\$ 45)	\$ 2,361	\$ 57,300	\$ -	\$ 102,222
\$ 9,767	\$ 57	\$ 10,016	\$ 261,967	\$ 100	\$ 344,135
<u>\$ 9,965</u>	<u>\$ 12</u>	<u>\$ 12,377</u>	<u>\$ 319,267</u>	<u>\$ 100</u>	<u>\$ 446,357</u>

VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
February 28, 2005

Net change in fund balances - total governmental funds.		\$ 102,222
Governmental funds report capital outlay as expenditures.		
However, in the government-wide statement of activities		
and changes in net assets, the cost of those assets is		
allocated over their estimated useful lives as depreciation		
expense. This is the amount of capital assets recorded in		
the current period.		46,541
Depreciation expense on capital assets is reported in the		
government-wide statement of activities and changes in net		
assets, but they do not require the use of current financial		
resources; therefore, depreciation expense is not reported		
as an expenditure in governmental funds. Includes Internal		
Service Fund's depreciation expense of \$44,069.	( 145,360)	
Repayment of revolving loan fund loan principal, in the amount of		
\$70,753, is recorded as revenue in the governmental funds, but		
not in the statement of activities. New revolving loans, in the		
amount of \$34,000, are expenditures in the governmental funds,		
but not in the statement of activities.	( 36,753)	
Repayments of bond principal is an expenditure in the		
governmental funds, but not in the statement of activities		
(where it reduces long-term debt).		45,117
Some property tax will not be collected for several months		
after the Village's fiscal year end; therefore, they are not		
considered "available" revenues in the governmental funds.	( 21,166)	
Accrued interest expense on long-term debt is reported in the		
government-wide statement of activities and changes in net		
assets, but does not require the use of current financial		
resources; therefore, accrued interest expense is not		
reported as an expenditure in governmental funds.		933
Accrued vacation and sick time expense reported in the Statement		
of Activities does not require the use of current financial		
resources and therefore is not reported as an expenditure		
in the governmental funds.	( 4,708)	
Internal service funds are used by management to charge the		
costs of certain activities, such as equipment rentals, to		
individual funds. The net revenue of the Internal Service		
Fund is reported with governmental activities net of amount		
allocated to business-type activities and depreciation expense.		
Change in net assets	(\$ 15,746)	
Net of amount allocated to		
business-type activities	8,551	
Depreciation expense	44,069	
Change in net assets of governmental activities.		<u>36,874</u>
		<u>(\$ 23,700)</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
February 28, 2005

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>ASSETS</u>			
Cash	\$ 69,846	\$ -	\$ 699,814
Accounts receivable	11,572	-	22,913
Due from other governmental units	-	31,856	99,395
Due from component unit	-	-	3,000
Due from other funds	584	5,975	7,138
Restricted assets	157,975	-	31,880
Investments	-	-	181,104
Investment in joint venture	-	-	113,169
Investment in Baraga Village/ Keweenaw Bay Reservation	-	-	-
Waste Water Authority	-	2,550,604	-
Capital assets - net	<u>5,360,269</u>	<u>880</u>	<u>449,058</u>
TOTAL ASSETS	<u>\$ 5,600,246</u>	<u>\$2,589,315</u>	<u>\$1,607,471</u>
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ 35,455	\$ -
Accounts payable	8,678	269	62,041
Accrued expenses	16,210	-	-
Due to other funds	40,001	6,417	19,123
Payable from restricted assets - customer deposits	-	-	31,880
Noncurrent liabilities:			
Due within one year	38,500	-	-
Due in more than one year	<u>1,843,500</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,946,889</u>	<u>\$ 42,141</u>	<u>\$ 113,044</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 3,478,269	\$ 880	\$ 449,058
Restricted for debt service	157,975	-	-
Unrestricted	<u>17,113</u>	<u>2,546,294</u>	<u>1,045,369</u>
TOTAL NET ASSETS	<u>\$ 3,653,357</u>	<u>\$2,547,174</u>	<u>\$1,494,427</u>

Reconciliation to government-wide statement of net assets -  
Adjustment to reflect the consolidation of Internal Service Fund's  
activities related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements  
are an integral part of this statement.



Governmental  
Activities -  
Internal  
Service  
Fund

Totals

\$ 769,660	\$ 25,670
34,485	-
131,251	7,331
3,000	-
13,697	17,179
189,855	-
181,104	-
113,169	-

2,550,604	-
<u>5,810,207</u>	<u>211,103</u>
\$ 9,797,032	\$ <u>261,283</u>

\$ 35,455	\$ -
70,988	3,187
16,210	-
65,541	3,281

31,880	-
--------	---

38,500	-
<u>1,843,500</u>	<u>-</u>
\$ 2,102,074	\$ <u>6,468</u>

\$ 3,928,207	\$ 211,103
157,975	-
<u>3,608,776</u>	<u>43,712</u>
\$ 7,694,958	\$ <u><u>254,815</u></u>

( 8,551 )

\$ 7,686,407

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Year ended February 28, 2005

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>OPERATING REVENUES</u>			
Utility services	\$ 388,145	\$ 124,213	\$ 1,523,805
Other	-	-	-
TOTAL REVENUES	\$ 388,145	\$ 124,213	\$ 1,523,805
<u>OPERATING EXPENDITURES</u>			
Operating expenses -			
Less depreciation	\$ 283,572	\$ 126,901	\$ 1,040,854
Depreciation	200,666	278	62,939
TOTAL EXPENDITURES	\$ 484,238	\$ 127,179	\$ 1,103,793
OPERATING INCOME (LOSS)	(\$ 96,093)	(\$ 2,966)	\$ 420,012
<u>NON-OPERATING REVENUES</u>			
Interest income and other revenue	\$ 1,199	\$ -	\$ 37,604
Gain on sale of assets	-	-	-
TOTAL NON-OPERATING REVENUES	\$ 1,199	\$ -	\$ 37,604
<u>NON-OPERATING EXPENSES</u>			
Interest expense	\$ 65,214	\$ -	\$ -
Loss from investments	-	88,886	-
TOTAL NON-OPERATING EXPENSES	\$ 65,214	\$ 88,886	\$ -
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(\$ 160,108)	(\$ 91,852)	\$ 457,616
Capital contributions	204,299	-	-
Transfers in (out)	41,061	-	(404,850)
CHANGE IN NET ASSETS	\$ 85,252	(\$ 91,852)	\$ 52,766
Total net assets at beginning of year	3,568,105	2,639,026	1,441,661
Total net assets at end of year	\$ 3,653,357	\$ 2,547,174	\$ 1,494,427

Amounts reported for business-type activities in the statement of activities are different because:-

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

to financial statements

Governmental  
Activities -  
Internal  
Service  
Fund

Total

\$2,036,163      \$ -  
-      68,444

\$2,036,163      \$ 68,444

\$1,451,327      \$ 46,992  
263,883      44,069

\$1,715,210      \$ 91,061

\$ 320,953      (\$ 22,617)

\$ 38,803      \$ -  
-      8,125

\$ 38,803      \$ 8,125

\$ 65,214      \$ 1,254  
88,886      -

\$ 154,100      \$ 1,254

\$ 205,656      (\$ 15,746)

204,299      -  
(363,789)      -

\$ 46,166      (\$ 15,746)

270,561

\$ 254,815

(8,551)

\$ 37,615

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year ended February 28, 2005

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 385,906	\$ 119,606	\$1,516,832
Payments to suppliers	( 170,359)	( 50,230)	( 924,184)
Payments to employees	( 117,188)	( 66,362)	( 54,459)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 98,359	\$ 3,014	\$ 538,189
<u>CASH FLOWS PROVIDED BY (USED IN)</u> <u>NONCAPITAL FINANCING ACTIVITIES</u>			
Due from other governmental units increase (decrease)	\$ -	\$ -	\$ 14,250
Transfers from other governmental units	41,061	-	-
Transfers to other funds	-	-	( 404,850)
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	\$ 41,061	\$ -	(\$ 390,600)
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL</u> <u>AND RELATED FINANCING ACTIVITIES</u>			
Restricted assets (increase) decrease	(\$ 14,663)	\$ -	\$ -
Acquisition of property, plant, and equipment	( 325,341)	-	( 12,216)
Proceeds from disposal of property, plant, and equipment	-	-	-
Contributed capital	301,400	-	-
Payments on long-term debt	( 38,000)	-	-
Interest	( 65,363)	-	-
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(\$ 141,967)	\$ -	(\$ 12,216)
<u>CASH FLOWS PROVIDED BY (USED IN)</u> <u>INVESTING ACTIVITIES</u>			
Interest received on investments	\$ 1,199	\$ -	\$ 22,816
Investments (increase) decrease	-	-	( 3,498)
Distributions from investments	-	-	14,788
Investment in joint venture (increase) decrease	-	-	( 5,077)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 1,199	\$ -	\$ 29,029
NET INCREASE (DECREASE) IN CASH	(\$ 1,348)	\$ 3,014	\$ 164,402
Cash at beginning of year	71,194	( 38,469)	535,412
Cash at end of year	\$ 69,846	(\$ 35,455)	\$ 699,814

The accompanying notes to financial statements  
are an integral part of this statement.

Governmental  
Activities -  
Internal  
Service  
Fund

Totals

\$2,022,344	\$ 69,371
( 1,144,773)	( 38,636)
( 238,009)	( 9,743)

\$ 639,562	\$ 20,992
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\$ 14,250	\$ -
41,061	-
( 404,850)	-

(\$ 349,539)	\$ -
--------------	------

(\$ 14,663)	\$ -
( 337,557)	( 43,730)

-	8,125
301,400	-
( 38,000)	( 22,687)
( 65,363)	( 1,254)

(\$ 154,183)	(\$ 59,546)
--------------	-------------

\$ 24,015	\$ -
( 3,498)	-
14,788	-
( 5,077)	-

\$ 30,228	\$ -
\$ 166,068	(\$ 38,554)
568,137	64,224
\$ 734,205	\$ 25,670

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year ended February 28, 2005

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>(LOSS) TO NET CASH PROVIDED (USED)</u> <u>BY OPERATING ACTIVITIES</u>			
Operating income (loss)	(\$ 96,093)	(\$ 2,966)	\$ 420,012
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	200,666	278	62,939
Changes in assets and liabilities:			
Accounts receivable (increase) decrease	( 2,239)	-	( 6,973)
Due from other funds (increase) decrease	254	7,601	5,844
Due from other governmental units (increase) decrease	- (	4,607)	-
Accounts payable increase (decrease)	3,143 (	1,171)	51,374
Due to other funds increase (decrease)	( <u>7,372</u> )	<u>3,879</u>	<u>4,993</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 98,359</u>	 <u>\$ 3,014</u>	 <u>\$ 538,189</u>

The accompanying notes to financial statements  
are an integral part of this statement.

Governmental  
Activities -  
Internal  
Service  
Fund

Totals

\$ 320,953	(\$ 22,617)
263,883	44,069
( 9,212)	-
13,699	582
( 4,607)	387
53,346	( 1,387)
<u>1,500</u>	( <u>42</u> )
<u>\$ 639,562</u>	<u>\$ 20,992</u>

VILLAGE OF BARAGA, MICHIGAN  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
February 28, 2005

ASSETS

Cash	\$ 387,561
Prepaid expense	3,089
Due from other governmental units	153,586
Capital assets - net	<u>19,418</u>

TOTAL ASSETS      \$ 563,654

LIABILITIES

Due to primary government	\$ 3,050
Due to other governmental units	<u>95,287</u>

TOTAL LIABILITIES      \$ 98,337

NET ASSETS

Unrestricted	<u>\$ 465,317</u>
--------------	-------------------

TOTAL NET ASSETS      \$ 465,317

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN  
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
 STATEMENT OF ACTIVITIES  
 Year ended February 28, 2005

		<u>Program Revenues</u>			<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
	<u>Expenses</u>				
Functions/Programs					
General					
government	\$ 17,569	\$ -	\$ -	\$ -	(\$ 17,569)
	General revenues:				
	Property taxes levied for general purposes				\$ 86,671
	Unrestricted investment earnings				2,033
	Transfers				<u>7,879</u>
	Total general revenues, special items, and transfers				<u>\$ 96,583</u>
	Change in net assets				\$ 79,014
	Net assets - beginning of year				<u>386,303</u>
	Net assets - end of year				<u>\$465,317</u>

The accompanying notes to financial statements  
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
For the year ended February 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Baraga conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Financial Reporting Entity

In accordance with the provisions of the Government Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity", a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component unit's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

Blended Component Units

Village of Baraga Building Authority - The Village of Baraga Building Authority is a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan 1948 and is governed by a three member board appointed by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village's operations because its purpose is to acquire and lease a municipal building to the Village. The assets of the Building Authority are presented in the General Fixed Asset Group of Accounts.

Discretely Presented Component Units

Village of Baraga Downtown Development Authority - The Village of Baraga Downtown Development Authority is an entity created by the Village of Baraga on October 22, 1984, pursuant to Public Act 197 of 1975 and is governed by a board appointed by the Village Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the Village.

Component Units Not Presented

Village of Baraga Housing Commission - The Village of Baraga Housing Commission is not included in the financial statements as explained in Note L.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly Governed Organizations

Upper Peninsula Public Power Agency - On June 9, 2003, the Village resolved to join the Upper Peninsula Public Power Agency (UPPPA), a Michigan municipal corporation organized under the Michigan Energy Employment Act of 1976. The UPPPA is a joint action agency, comprised of several municipalities in the Upper Peninsula of Michigan. The UPPPA was organized to invest in the American Transmission Company, a Wisconsin based entity, created by the Wisconsin legislature in order to own all of the electric transmission assets in the State of Wisconsin. The Village investment in the agency is included in the Electric Fund's financial statements using the cost method of accounting.

Unaudited financial information for the joint venture as of December 30, 2004:

Total assets	<u>\$2,650,912</u>
Liabilities:	
Current liabilities	-
Long-term liabilities	-
Total equity	<u>\$ 2,650,912</u>
Total revenues	<u>\$2,650,912</u>
Total expenditures	<u>\$ 267,438</u>
INCREASE IN FUND EQUITY FROM OPERATIONS	<u>9,631</u>
Equity contributions	\$ 257,807
Equity distributions	325,155
	<u>( 254,408)</u>
TOTAL INCREASE IN FUND EQUITY	<u>\$ 328,554</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (continued)

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the governmental unit to other departments or agencies of the governmental unit.

Account Groups:

General Fixed Asset Account Group - This account group presents property, plant, and equipment of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

4. Basis of Accounting

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
BASIS OF ACCOUNTING (continued)

Property taxes are levied on July 1. The Village collects its own property taxes until mid September at which time collection is turned over to Baraga County.

The tax rate to finance general government services for the year ended February 28, 2005, was \$8.655 per \$1000 of assessed valuation which computed to \$135,967 on the present taxable valuation of \$15,708,688. Also, an additional \$1.5856 per \$1000 of assessed valuation was levied for road improvements.

5. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds reported reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

Implementation of New Accounting Principles

As a result of the implementation of GASB 34, net assets of March 1, 2004 are adjusted as follows:

	<u>Governmental Activities</u>	<u>Component Unit</u>
Fund balance, March 1, 2004	\$ 614,696	\$ 311,303
Capitalization of infrastructure and other assets	3,032,772	-
Deferred revenue	1,046,081	75,000
Prior depreciation	( 1,159,571)	-
Long-term debt	( 305,820)	-
Accrued interest	( 6,099)	-
Net assets, March 1, 2004	<u>\$ 3,222,059</u>	<u>\$ 386,303</u>

NOTE B - CASH AND INVESTMENTS

At February 28, 2005, the Village of Baraga's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 442,748	\$ 769,660	\$1,212,408	\$ 387,561
Investments	-	181,104	181,104	-
Restricted assets	-	189,855	189,855	-
Total	<u>\$ 442,748</u>	<u>\$ 1,140,619</u>	<u>\$1,583,367</u>	<u>\$ 387,561</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Carrying Amounts</u>		
	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured (FDIC)	\$1,340,141	\$ 387,561	\$1,727,702
Uninsured and Uncollateralized	14,331	-	14,331
Total Deposits	<u>\$1,354,472</u>	<u>\$ 387,561</u>	<u>\$1,742,033</u>
	<u>Bank Balances</u>		
Insured (FDIC)	\$1,347,351	\$ 387,561	\$1,734,912
Uninsured and Uncollateralized	14,331	-	14,331
Total Deposits	<u>\$1,361,682</u>	<u>\$ 387,561</u>	<u>\$1,749,243</u>

Deposits totalling \$189,855 are included with restricted assets. Included with cash was petty cash of \$254. Not included with cash were cash overdrafts of \$35,455 and \$12,082 in the Sewer and Water Funds respectively.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the Board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

Investment type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-categorized					
Cash equivalents	\$ 181,104	\$ -	\$ -	<u>\$181,104</u>	<u>\$177,789</u>

NOTE C - RECEIVABLES

Receivables as of February 28, 2005 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 19,888	\$ 10,916	\$ -	\$ -
Accounts receivable	5,720	-	11,572	-
Long-term notes	-	954,687	-	-
Intergovernmental	-	5,335	-	31,856
Component unit	-	50	-	-
Total Receivables	<u>\$ 25,608</u>	<u>\$970,988</u>	<u>\$ 11,572</u>	<u>\$ 31,856</u>

	<u>Electric Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 30,804
Accounts receivable	22,913	-	40,205
Long-term notes	-	-	954,687
Intergovernmental	99,395	7,331	143,917
Component unit	3,000	-	3,050
Total Receivables	<u>\$125,308</u>	<u>\$ 7,331</u>	<u>\$1,172,663</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - RECEIVABLES (CONTINUED)

Notes receivable consist of:

Economic development loan to Gitchee Gume, Inc. which is to be repaid in monthly installments of \$681 beginning in November of 1995 including interest computed at 6.5%	\$ 48,135
Economic development loan to Jerry Bugni of Lakeside Auto which is to be repaid in monthly installments of \$362.90 beginning in December of 1999 including interest computed at 7.0%	40,804
Small Cities funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,750 through September of 1989 at which time payments increased to \$2,326. Payments include interest computed at 7%	211,873
Urban Development Action Grant funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,814 beginning in October of 1992, including interest computed at 3%	190,653
Economic development loan to Van Straten Heated Tail Light Inc. which is to be repaid in monthly installments of \$253 beginning in November of 1992, including interest computed at 6%	8,416
Economic development loan to Sheryl A. and Richard J. Hosking which is to be repaid in monthly installments of \$162 beginning in January of 1995, including interest computed at 7%	16,368
Economic development loan to Harold E. and Shirley A. Mensch which is to be repaid in monthly installments of \$539 beginning in January of 1995, including interest computed at 7%	26,426
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$674.12 including interest at 7.0%. The first installment was received in September of 1999	58,583
Economic development loan to Van Straten Brothers, Inc. which is to be repaid in monthly installments of \$1,331.90 including interest at 4.75%. The first installment was received in July of 2002	62,460
Economic development loan to James A. and Kristyn R. Gabe, and David A. and Brenda N. Meyers which is to be repaid in monthly installments of \$2,385.90 including interest at 7.0%. The first installment was received in June of 2001	172,142
Economic development loan to Larry's Market, Inc. which is to be repaid in monthly installments of \$1,048.48 including interest of 4.75%. The first installment was received in May of 2003	82,242
Economic development loan to H&H Cafe which is to be repaid in monthly installments of \$250.00 including interest at 4.75%	34,000
Housing rehabilitation loans to 5 individuals which are to be repaid in monthly installments of \$245	<u>2,585</u>
	<u>\$ 954,687</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2005, was as follows:

	<u>Balance March 1</u>	<u>Additions</u>
Governmental activities:		
Capital assets not being depreciated - Land	\$ 121,651	\$ -
Capital assets being depreciated:		
Buildings	832,092	-
Improvements	1,520,000	1,413
Equipment	1,026,063	88,859
Infrastructure	40,111	-
Total capital assets being depreciated	\$ 3,418,266	\$ 90,272
Less accumulated depreciation for:		
Buildings	\$ 196,166	\$ 17,277
Improvements	452,333	39,333
Equipment	802,806	87,947
Infrastructure	3,957	803
Total accumulated depreciation	\$ 1,455,262	\$ 145,360
Total capital assets, being depreciated, net	\$ 1,963,004	(\$ 55,088)
Governmental activities capital assets, net	\$ 2,084,655	(\$ 55,088)
Business-type activities:		
Capital assets not being depreciated:		
Equipment	\$ 85,328	\$ -
Infrastructure	5,362,498	3,067,020
Total capital assets being depreciated	\$ 5,447,826	\$ 3,067,020
Less accumulated depreciation for:		
Equipment	\$ 56,692	\$ 6,226
Infrastructure	2,384,064	257,657
Total accumulated depreciation	\$ 2,440,756	\$ 263,883
Total capital assets, being depreciated, net	\$ 3,007,070	\$ 2,803,137
Business-type activities capital assets, net	\$ 3,007,070	\$ 2,803,137
Component unit activities -		
Capital assets not being depreciated - Land	\$ -	\$ 19,418

<u>Retirements</u>	<u>Balance February 28</u>
\$ -	\$ 121,651
-	832,092
-	1,521,413
( 10,413)	1,104,509
-	40,111
<u>(\$ 10,413)</u>	<u>\$ 3,498,125</u>
\$ -	\$ 213,443
-	491,666
( 10,413)	880,340
-	4,760
<u>(\$ 10,413)</u>	<u>\$ 1,590,209</u>
\$ -	\$ 1,907,916
<u>\$ -</u>	<u>\$ 2,029,567</u>
\$ -	\$ 85,328
-	8,429,518
<u>\$ -</u>	<u>\$ 8,514,846</u>
\$ -	\$ 62,918
-	2,641,721
<u>\$ -</u>	<u>\$ 2,704,639</u>
<u>\$ -</u>	<u>\$ 5,810,207</u>
<u>\$ -</u>	<u>\$ 5,810,207</u>
<u>\$ -</u>	<u>\$ 19,418</u>

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE D - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:

Public works

Public safety

\$ 100,446

44,914

Total depreciation expense-Governmental activities

\$ 145,360

Business-type activities:

Water

Sewer

Electric

\$ 200,666

278

62,939

Total depreciation expense-Business-type activities

\$ 263,883

## NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at February 28, 2005, consisted of:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 62,034	Motor Vehicle	\$ 2,697
		Water	39,134
		Revolving	4,278
		Local Street	9,118
		Major Street	6,807
Subtotal	<u>\$ 62,034</u>	Subtotal	<u>\$ 62,034</u>
Motor Vehicle Equipment	\$ 17,179	Sewer	\$ 6,417
		Waterfront	1,061
		Local Street	3,267
		Major Street	3,961
		Electric	2,473
Subtotal	<u>\$ 17,179</u>	Subtotal	<u>\$ 17,179</u>
Waterfront	\$ 14,360	General	\$ 3,910
		Electric	10,450
Subtotal	<u>\$ 14,360</u>	Subtotal	<u>\$ 14,360</u>
Local Street	\$ 8,200	Electric	\$ 4,200
		Road	4,000
Subtotal	<u>\$ 8,200</u>	Subtotal	<u>\$ 8,200</u>
Road	\$ 10,797	General	\$ 8,797
		Electric	2,000
Subtotal	<u>\$ 10,797</u>	Subtotal	<u>\$ 10,797</u>
Water	\$ 584	Motor Vehicle	\$ 584
Electric	\$ 7,138	General	\$ 6,271
		Water	867
Subtotal	<u>\$ 7,138</u>	Subtotal	<u>\$ 7,138</u>
Sewer	\$ 5,975	General	\$ 5,975
Total	<u>\$ 126,267</u>	Total	<u>\$ 126,267</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of receivables and payables between primary government and component units at February 28, 2005 are as follows:

<u>Component Unit</u>	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>	<u>Fund</u>	<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
DDA - General	\$ -	\$ 3,050	Electric Revolving	\$ 3,000 50	\$ -
Total	<u>\$ -</u>	<u>\$ 3,050</u>	Total	<u>\$ 3,050</u>	<u>\$ -</u>

NOTE F - DUE TO OTHER GOVERNMENTAL UNITS

The Downtown Development Authority (a component unit of the Village of Baraga) owes \$95,287 to various units of government for excess captured tax dollars for the years 1996 through 1999. The excess is based on the amount of taxes captured over the \$40,000 eligible obligation for the building authority bond issues of 1993. The amount is computed as follows:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Captured taxes	\$68,925	\$63,426	\$68,000	\$65,001	\$265,172
Less eligible obligation	( 40,000)	( 40,000)	( 40,000)	( 40,000)	( 9,885)
Less repayments	( 9,885)	-	-	-	( 160,000)
Excess	<u>\$19,040</u>	<u>\$23,246</u>	<u>\$28,000</u>	<u>\$25,001</u>	<u>\$ 95,287</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. Installment purchase agreements are general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

At February 28, 2005 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Type</u>
Water system improvement revenue bonds (denomination of \$1,000 each, \$360,000 original issue) dated January 1, 1971, mature annually on January 1 of each year through January 1, 2009. Interest is payable on January 1 and July 1 of each year at a rate of 4.75% per annum.	\$ -	\$ 66,000
2002 KBIC Industrial Park water supply system revenue bonds (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum.	-	320,000
Water system improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year.	-	530,000
Water supply system junior lien bonds, series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	633,000
Water supply system junior lien bond, series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	333,000
Total bonds payable	<u>\$ -</u>	<u>\$1,882,000</u>
<u>Installment Purchase Agreements</u>		
PUMA fire truck with payments annually on October 18, of \$41,307 including interest through October 18, 2007 with interest at 2% per annum, financed through Superior National Bank and Trust Co.	\$ 113,134	\$ -
Pumper fire truck with payments annually on July 12 of \$16,241 including interest through July 12, 2006 and a balloon payment of \$87,143 on July 12, 2007 with interest at 4.7% per annum, financed through Superior National Bank and Trust Co.	<u>106,258</u>	<u>-</u>
Total installment purchase agreements	<u>\$ 219,392</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of February 28, 2005, are as follows:

Year Ending February 28,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 47,237	\$ 10,311	\$ 38,500	\$ 87,350
2007	49,458	8,090	44,500	85,549
2008	122,697	5,753	45,500	83,475
2009	-	-	47,000	81,348
2010	-	-	31,000	79,156
2011	-	-	31,500	77,725
2012	-	-	31,500	76,246
2013	-	-	32,500	74,743
2014	-	-	38,000	73,211
2015	-	-	40,000	71,372
2016	-	-	40,500	69,442
2017	-	-	41,500	67,474
2018	-	-	47,000	65,463
2019	-	-	49,000	63,144
2020-2043	-	-	1,324,000	752,869
	<u>\$ 219,392</u>	<u>\$ 24,154</u>	<u>\$ 1,882,000</u>	<u>\$ 1,808,567</u>

The Long-term Debt Group of Accounts also includes the long-term portion of employee compensated absences, totalling \$42,761, and the related employer's portion of FICA tax of \$3,271.

The individual long-term debt and other general long-term obligations of the Village and the changes therein, may be summarized as follows:

	<u>Balance 02-29-04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 02-28-05</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water system improvement revenue bonds (1971)	\$ 82,000	\$ -	\$ 16,000	\$ 66,000
KBIC Industrial Park water supply system revenue bonds (2002)	323,000	-	3,000	320,000
Water system improvement revenue bonds (1997)	540,000	-	10,000	530,000
Water supply system junior lien bond, series 2003A	639,000	-	6,000	633,000
Water supply system junior lien bond, series 2003B	<u>336,000</u>	<u>-</u>	<u>3,000</u>	<u>333,000</u>
	<u>\$1,920,000</u>	<u>\$ -</u>	<u>\$ 38,000</u>	<u>\$1,882,000</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>02-29-04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-28-05</u>
<u>LONG-TERM DEBT GROUP</u>				
<u>OF ACCOUNTS</u>				
<u>INSTALLMENT PURCHASE</u>				
<u>CONTRACTS</u>				
Puma fire truck	\$ 147,500	\$ -	\$ 34,366	\$ 113,134
Pumper fire truck	<u>116,996</u>	<u>-</u>	<u>10,738</u>	<u>106,258</u>
	\$ 264,496	\$ -	\$ 45,104	\$ 219,392
	<u>\$2,184,496</u>	<u>\$ -</u>	<u>\$ 83,104</u>	<u>\$2,101,392</u>

Water system improvement revenue bonds (denomination of \$1,000 each, \$360,000 original issue) dated January 1, 1971, mature annually on January 1 of each year through January 1, 2009. Interest is payable on January 1 and July 1 of each year at a rate of 4.75% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Principal</u> <u>January 1</u>	<u>Total</u>
2006	\$ 1,568	\$ 1,567	\$ 16,000	\$ 19,135
2007	1,188	1,187	16,000	18,375
2008	808	807	17,000	18,615
2009	<u>404</u>	<u>404</u>	<u>17,000</u>	<u>17,808</u>
Totals	<u>\$ 3,968</u>	<u>\$ 3,965</u>	<u>\$ 66,000</u>	<u>\$ 73,933</u>

Ordinance Number 107 requires that a bond reserve account be established and maintained at a \$22,000 level. The Village has complied with this requirement as there is \$37,386 in this account at February 28, 2005.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND

2002 KBIC Industrial Park Water Supply System Revenue Bond (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal Year Ending February</u>	<u>Interest April 1</u>	<u>Interest October 1</u>	<u>Principal October 1</u>	<u>Total</u>
2006	\$ 7,400	\$ 7,400	\$ 3,000	\$ 17,800
2007	7,331	7,331	3,000	17,662
2008	7,261	7,261	3,000	17,522
2009	7,192	7,192	4,000	18,384
2010	7,099	7,099	4,000	18,198
2011	7,007	7,007	4,000	18,014
2012	6,914	6,914	4,000	17,828
2013	6,822	6,822	4,000	17,644
2014	6,729	6,729	4,000	17,458
2015	6,637	6,637	5,000	18,274
2016	6,521	6,521	5,000	18,042
2017	6,406	6,406	5,000	17,812
2018	6,290	6,290	5,000	17,580
2019	6,174	6,174	6,000	18,348
2020	6,036	6,036	6,000	18,072
2021	5,897	5,897	6,000	17,794
2022	5,758	5,758	6,000	17,516
2023	5,619	5,619	7,000	18,238
2024	5,458	5,458	7,000	17,916
2025	5,296	5,296	8,000	18,592
2026	5,111	5,111	8,000	18,222
2027	4,926	4,926	8,000	17,852
2028	4,741	4,471	9,000	18,482
2029	4,533	4,533	9,000	18,066
2030	4,324	4,324	10,000	18,648
2031	4,093	4,093	10,000	18,186
2032	3,862	3,862	11,000	18,724
2033	3,608	3,608	11,000	18,216
2034	3,353	3,353	12,000	18,706
2035	3,076	3,076	12,000	18,152
2036	2,798	2,798	13,000	18,596
2037	2,498	2,498	13,000	17,996
2038	2,197	2,197	14,000	18,394
2039	1,873	1,873	15,000	18,746
2040	1,526	1,526	15,000	18,052
2041	1,179	1,179	16,000	18,358
2042	809	809	17,000	18,618
2043	416	416	18,000	18,832
	<u>\$184,770</u>	<u>\$ 184,770</u>	<u>\$ 320,000</u>	<u>\$ 689,540</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

Principal installments of this bond are subject to prepayment prior to maturity, at the issuer's option, on any interest payment date on or after October 1, 2003, at par and accrued interest to the date fixed for prepayment.

Ordinance Number 194 requires that a bond reserve account be established and maintained. The Ordinance requires, at the beginning of each fiscal year quarter, that at least \$475 be transferred to the bond reserve account until the sum of \$19,000 has been deposited therein. The Village has complied with this requirement as there is \$25,082 in these accounts at February 28, 2005.

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water System Improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year. Scheduled payments of principal, interest and interest rates are listed below:

<u>Fiscal Year Ending February</u>	<u>Interest Rate %</u>	<u>Interest May 1</u>	<u>Interest November 1</u>	<u>Principal November 1</u>	<u>Total</u>
2006	4.8	\$ 14,281	\$ 14,281	\$ 10,000	\$ 38,562
2007	4.85	14,041	14,041	15,000	43,082
2008	4.9	13,678	13,678	15,000	42,356
2009	4.95	13,310	13,310	15,000	41,620
2010	5.05	12,939	12,939	15,000	40,878
2011	5.15	12,560	12,560	15,000	40,120
2012	5.25	12,174	12,174	15,000	39,348
2013	5.3	11,780	11,780	15,000	38,560
2014	5.35	11,383	11,383	20,000	42,766
2015	5.4	10,848	10,848	20,000	41,696
2016	5.45	10,308	10,307	20,000	40,615
2017	5.5	9,763	9,762	20,000	39,525
2018	5.5	9,213	9,212	25,000	43,425
2019	5.5	8,525	8,525	25,000	42,050
2020	5.5	7,838	7,837	25,000	40,675
2021	5.5	7,150	7,150	25,000	39,300
2022	5.5	6,463	6,462	30,000	42,925
2023	5.5	5,638	5,637	30,000	41,275
2024	5.5	4,813	4,812	30,000	39,625
2025	5.5	3,988	3,987	35,000	42,975
2026	5.5	3,025	3,025	35,000	41,050
2027	5.5	2,063	2,062	35,000	39,125
2028	5.5	1,100	1,100	40,000	42,200
Totals		<u>\$206,881</u>	<u>\$ 206,872</u>	<u>\$ 530,000</u>	<u>\$ 943,753</u>

Ordinance Number 180 requires that bond reserve accounts be established and maintained at a \$42,000 level. The Village has complied with this requirement as there is \$61,001 in these accounts at February 28, 2005.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003A

Water Supply System Junior Lien Revenue Bond, Series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Interest</u> <u>January 1</u>	<u>Total</u>
2006	\$ 13,451	\$ 6,000	\$ 13,324	\$ 32,775
2007	13,324	7,000	13,175	33,499
2008	13,175	7,000	13,026	33,201
2009	13,026	7,000	12,878	32,904
2010	12,878	7,000	12,729	32,607
2011	12,729	8,000	12,559	33,288
2012	12,559	8,000	12,389	32,948
2013	12,389	8,000	12,219	32,608
2014	12,219	9,000	12,028	33,247
2015	12,028	9,000	11,836	32,864
2016	11,836	10,000	11,624	33,460
2017	11,624	10,000	11,411	33,035
2018	11,411	11,000	11,178	33,589
2019	11,178	11,000	10,944	33,122
2020	10,944	12,000	10,689	33,633
2021	10,689	12,000	10,434	33,123
2022	10,434	13,000	10,158	33,592
2023	10,158	13,000	9,881	33,039
2024	9,881	14,000	9,584	33,465
2025	9,584	14,000	9,286	32,870
2026	9,286	15,000	8,968	33,254
2027	8,968	16,000	8,628	33,596
2028	8,628	16,000	8,288	32,916
2029	8,288	17,000	7,926	33,214
2030	7,926	18,000	7,544	33,470
2031	7,544	19,000	7,140	33,684
2032	7,140	20,000	6,715	33,855
2033	6,715	21,000	6,269	33,984
2034	6,269	21,000	5,822	33,091
2035	5,823	22,000	5,355	33,178
2036	5,355	23,000	4,866	33,221
2037	4,866	24,000	4,356	33,222
2038	4,356	26,000	3,804	34,160
2039	3,804	27,000	3,230	34,034
2040	3,230	28,000	2,635	33,865
2041	2,635	29,000	2,019	33,654
2042	2,019	30,000	1,381	33,400
2043	1,381	32,000	701	34,082
2044	701	33,000	-	33,701
	<u>\$340,451</u>	<u>\$ 633,000</u>	<u>\$ 326,999</u>	<u>\$1,300,450</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003B

Water Supply System Junior Lien Revenue Bond, Series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal Year Ending February</u>	<u>Interest July 1</u>	<u>Principal July 1</u>	<u>Interest January 1</u>	<u>Total</u>
2006	\$ 7,076	\$ 3,500	\$ 7,002	\$ 17,578
2007	7,003	3,500	6,928	17,431
2008	6,928	3,500	6,853	17,281
2009	6,853	3,500	6,779	17,132
2010	6,779	4,000	6,694	17,473
2011	6,694	4,000	6,609	17,303
2012	6,609	4,500	6,513	17,622
2013	6,513	4,500	6,418	17,431
2014	6,418	4,500	6,322	17,240
2015	6,322	5,000	6,216	17,538
2016	6,216	5,000	6,109	17,325
2017	6,109	5,500	5,993	17,602
2018	5,993	5,500	5,876	17,369
2019	5,876	6,000	5,748	17,624
2020	5,748	6,000	5,621	17,369
2021	5,621	6,500	5,483	17,604
2022	5,483	6,500	5,344	17,327
2023	5,344	7,000	5,196	17,540
2024	5,196	7,500	5,036	17,732
2025	5,036	7,500	4,877	17,413
2026	4,877	8,000	4,707	17,584
2027	4,707	8,500	4,526	17,733
2028	4,526	8,500	4,346	17,372
2029	4,346	9,000	4,154	17,500
2030	4,154	9,500	3,953	17,607
2031	3,953	10,000	3,740	17,693
2032	3,740	10,500	3,517	17,757
2033	3,517	11,000	3,283	17,800
2034	3,283	11,500	3,039	17,822
2035	3,039	12,000	2,784	17,823
2036	2,784	12,500	2,518	17,802
2037	2,518	13,000	2,242	17,760
2038	2,242	13,500	1,955	17,697
2039	1,955	14,000	1,658	17,613
2040	1,658	14,500	1,349	17,507
2041	1,349	15,500	1,020	17,869
2042	1,020	16,000	680	17,700
2043	680	17,000	319	17,999
2044	319	15,000	-	15,319
	<u>\$178,484</u>	<u>\$ 333,000</u>	<u>\$ 171,407</u>	<u>\$ 682,891</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

PUMA FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$126,706 issued and \$106,258 outstanding) dated July 12, 2002, matures annually on October 18, 2005 through October 18, 2007 with interest at 2.00% per annum.

Due Year Ended February 28,	October 18,		Total
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 39,990	\$ 5,317	\$ 41,307
2007	37,682	3,625	41,307
2008	39,462	1,845	41,307
	<u>\$ 113,134</u>	<u>\$ 10,787</u>	<u>\$ 123,921</u>

PUMPER FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$180,322 issued and \$113,134 outstanding) dated October 18, 2002, matures annually on July 12, 2005 through July 12, 2006 and balance due July 12, 2007 with interest at 4.70% per annum.

Due Year Ended February 28,	July 12,		Total
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 11,247	\$ 4,994	\$ 16,241
2007	11,776	4,465	16,241
2008	83,235	3,908	87,143
	<u>\$ 106,258</u>	<u>\$ 13,367</u>	<u>\$ 119,625</u>

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosures of segment information for certain individual Enterprise Funds. The Village maintains three Enterprise Funds: the Water Fund, to account for the provision of water to the residents of the Village; the Sewer Fund, to administer the operations of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority; and the Electric Fund, to account for the provision of electricity to the residents of the Village.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

CONDENSED STATEMENT OF NET ASSETS

	<u>Water Fund</u>	<u>Sewer Fund</u>
Assets:		
Current assets		
Due from component unit	\$ 81,418	\$ 31,856
Interfund receivable	-	-
Capital assets	584	5,975
Other assets	5,360,269	880
	<u>157,975</u>	<u>2,550,604</u>
Total assets	<u>\$5,600,246</u>	<u>\$2,589,315</u>
Liabilities:		
Interfund payables		
Other current liabilities	\$ 40,001	\$ 6,417
Noncurrent liabilities	63,388	35,724
	<u>1,843,500</u>	<u>-</u>
Total liabilities	<u>\$1,946,889</u>	<u>\$ 42,141</u>
Net assets:		
Invested in capital assets, net of related debt	\$3,478,269	\$ 880
Restricted for debt service	157,975	-
Unrestricted	<u>17,113</u>	<u>2,546,294</u>
Total net assets	<u>\$3,653,357</u>	<u>\$2,547,174</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

Operating revenues		
Depreciation expense	\$ 388,145	\$ 124,213
Other operating expenses	( 200,666)	( 278)
	<u>( 283,572)</u>	<u>( 126,901)</u>
Operating income	(\$ 96,093)	(\$ 2,966)
Nonoperating revenues (expenses):		
Investment income (loss)	1,199	( 88,886)
Interest expense	( 65,214)	-
Capital contributions	204,299	-
Transfers in (out)	<u>41,061</u>	<u>-</u>
Change in net assets	\$ 85,252	(\$ 91,852)
Beginning net assets	<u>3,568,105</u>	<u>2,639,026</u>
Ending net assets	<u>\$3,653,357</u>	<u>\$2,547,174</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:		
Operating activities	\$ 98,359	\$ 3,014
Noncapital financing activities	41,061	-
Capital and related financing activities	( 141,967)	-
Investing activities	<u>1,199</u>	<u>-</u>
Net increase (decrease)	(\$ 1,348)	\$ 3,014
Beginning cash and cash equivalents	<u>71,194</u>	<u>( 38,469)</u>
Ending cash and cash equivalents	<u>\$ 69,846</u>	<u>(\$ 35,455)</u>

<u>Electric Fund</u>	<u>Total Enterprise Fund</u>
\$1,116,395	\$1,229,669
3,000	3,000
7,138	13,697
449,058	5,810,207
<u>31,880</u>	<u>2,740,459</u>
<u>\$1,607,471</u>	<u>\$9,797,032</u>
\$ 19,123	\$ 65,541
93,921	193,033
<u>-</u>	<u>1,843,500</u>
<u>\$ 113,044</u>	<u>\$2,102,074</u>
\$ 449,058	\$3,928,207
-	157,975
<u>1,045,369</u>	<u>3,608,776</u>
<u>\$1,494,427</u>	<u>\$7,694,958</u>
\$ 1,523,805	\$2,036,163
( 62,939)	( 263,883)
( <u>1,040,854</u> )	( <u>1,451,327</u> )
\$ 420,012	\$ 320,953
37,604	( 50,083)
-	( 65,214)
-	204,299
( <u>404,850</u> )	( <u>363,789</u> )
\$ 52,766	\$ 46,166
<u>1,441,661</u>	<u>7,648,792</u>
<u>\$ 1,494,427</u>	<u>\$7,694,958</u>
\$ 538,189	\$ 639,562
( 390,600)	( 349,539)
( 12,216)	( 154,183)
<u>29,029</u>	<u>30,228</u>
\$ 164,402	\$ 166,068
<u>535,412</u>	<u>568,137</u>
<u>\$ 699,814</u>	<u>\$ 734,205</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - INVESTMENT IN BARAGA VILLAGE/KEWEENAW BAY  
RESERVATION WASTE WATER AUTHORITY

The Village of Baraga and the Keweenaw Bay Indian Community entered into an agreement on September 27, 1995 for the purpose of creating the Baraga Village/Keweenaw Bay Reservation Waste Water Authority Board. The Board shall own, operate and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Board shall employ the Village of Baraga as System Operator to operate and maintain the System and shall pay the Village for such services.

The Village utilizes the equity method of accounting for the activity in its investment in the facility. Under the equity method the investment is adjusted for any additional capital investments made and it's proportionate share of the facility's results of operations.

On September 1, 1996, the following assets and liabilities of the Village of Baraga were transferred to the Authority:

Property, plant, and equipment	\$6,066,181
Accumulated depreciation	( 1,223,556)
Allowance for doubtful accounts	( 2,498)
Accounts payable	( 67,247)
Accrued interest	( 6,334)
Revenue bonds payable	( 1,373,000)

NET INVESTMENT      \$3,393,546

Baraga Village/Keweenaw Bay Reservation Waste Water Authority issues separate financial statements available from the Village's office.

A summary of condensed financial information as of February 28, 2005, for the Board, in the aggregate is as follows:

Assets	\$3,795,302
Liabilities	499,084
Net assets	3,296,218
Revenues	292,430
Expenses	367,046
Other income (expenses)	( 9,965)
Net (loss)	( 84,581)
Depreciation on property, plant and equipment contributed by the Village and Community	150,309
Increase (decrease) in net assets	( 84,581)
Village's share of increase (decrease) in net assets	( 88,886)
Village's share of depreciation on fixed assets contributed	121,750

Included in expenses above is \$124,213 paid to the Village for services provided for the Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

The qualified employees includes all full time employees of the Village with the exception of the Village Manager. Benefits vest after ten years of service. Village employees who retire at or after the age of 55 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 2.25% of final average compensation. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Village ordinance.

Village employees are not required to contribute to the plan. The Village contributes to the plan quarterly based on actuarial calculated contributions.

Contributions were made in accordance with actuarially determined contribution requirements.

As of December 31, 2004, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	6
Inactive vested members	2
Active plan participants:	
Active members - vested	10
Active members - nonvested	<u>0</u>
Total	<u>18</u>

Funding Status and Progress

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN (CONTINUED)

GASB INFORMATION (as of 12/31/04)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$1,182,584
Terminated employees not yet receiving benefits	29,039
Current employees -	
Accumulated employee contributions including allocated	
investment income	-
Employer financed	<u>875,307</u>
Total Actuarial Accrued Liability	\$2,086,930
Net Assets Available for Benefits at Actuarial Value	<u>1,302,849</u>
(Market Value is \$1,271,736)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ 784,081

GASB 27 INFORMATION (as of 12/31/04)

Fiscal Year Beginning	March 1, 2006
Annual Required Contribution (ARC)	\$ 97,740
Amortization Factor Used	0.053632
Additional information pertaining to the pension plan can be obtained from the Village's annual actuarial valuation report.	

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three years.

NOTE L - BARAGA HOUSING COMMISSION

The financial statements of the Village of Baraga Housing Commission are not included in the general purpose financial statements of the Village of Baraga for the following reasons:

1. The Village does not approve budgets or budget amendments.
2. The Village is not responsible for fund deficits and does not receive any fund surplus.
3. The Village does not provide significant financial support.
4. The Village does not have significant fiscal management responsibilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - BARAGA HOUSING COMMISSION (CONTINUED)

The financial statements of the Village of Baraga Housing Commission are audited annually as a requirement of the Department of Housing and Urban Development. A summary of the audited financial information as of June 30, 2004, is as follows:

Total Assets	<u>\$1,155,092</u>
Total liabilities	<u>\$ 52,744</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 947,203
Unrestricted	<u>155,145</u>
NET ASSETS	<u>\$1,102,348</u>
Revenues	\$ 329,144
Expenses	<u>395,000</u>
Change in net assets	<u>(\$ 65,856)</u>
Net assets, beginning of year	<u>\$1,168,204</u>
Net assets, end of year	<u>\$1,102,348</u>

NOTE M - CONTINGENCY

An audit performed by the United States Environmental Protection Agency dated August 14, 1997 is requesting the Village to reimburse the federal government \$26,838 for ineligible construction costs from the Water Fund. Village officials are still reviewing the computation and no determination has been made whether to appeal the audit or pay the requested amount. No liability has been recorded in the financial statements for the year ended February 28, 2005.

The Downtown Development Authority (a component unit) captures a percentage of the taxes levied within the territory that the Authority encompasses. There had been a dispute regarding the legality of levying taxes on tribal property which is within reservation boundaries. The Authority had recognized a receivable in the amount of \$75,000 which represented the Authority's capture of taxes levied by the Township of Baraga. This amount is not collectible and has been written off by the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BARAGA, MICHIGAN  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 143,300	\$ 143,300	\$ 143,508	\$ 208
State grants	151,500	151,500	144,162	( 7,338)
Keweenaw Bay				
Indian Community	25,000	25,000	21,390	( 3,610)
Service charges	8,000	8,000	9,466	1,466
Other revenues	<u>242,900</u>	<u>242,900</u>	<u>326,167</u>	<u>83,267</u>
TOTAL REVENUES	<u>\$ 570,700</u>	<u>\$ 570,700</u>	<u>\$ 644,693</u>	<u>\$ 73,993</u>
Expenditures:				
General government				
administration	\$ 144,000	\$ 144,000	\$ 104,154	\$ 39,846
Public safety	173,900	173,900	192,820	( 18,920)
Public works	93,100	93,100	90,662	2,438
Health and welfare	24,500	24,500	18,196	6,304
Culture and recreation	22,100	22,100	27,822	( 5,722)
Debt service	30,000	30,000	57,549	( 27,549)
Other expenditures	<u>508,900</u>	<u>508,900</u>	<u>483,849</u>	<u>25,051</u>
TOTAL EXPENDITURES	<u>\$ 996,500</u>	<u>\$ 996,500</u>	<u>\$ 975,052</u>	<u>\$ 21,448</u>
EXCESS OF REVENUES				
(EXPENDITURES)	<u>(\$ 425,800)</u>	<u>(\$ 425,800)</u>	<u>(\$ 330,359)</u>	<u>\$ 95,441</u>
Other financing				
sources (uses) -				
Operating transfers				
in	\$ 455,800	\$ 455,800	\$ 410,000	(\$ 45,800)
Operating transfers				
out	<u>( 30,000)</u>	<u>( 30,000)</u>	<u>( 48,361)</u>	<u>( 18,361)</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>\$ 425,800</u>	<u>\$ 425,800</u>	<u>\$ 361,639</u>	<u>(\$ 64,161)</u>
EXCESS OF REVENUES				
AND OTHER SOURCES				
(EXPENDITURES AND				
OTHER USES)	\$ -	\$ -	\$ 31,280	\$ 31,280
Fund balance,				
beginning of year	<u>45,876</u>	<u>45,876</u>	<u>45,876</u>	<u>-</u>
FUND BALANCE,				
END OF YEAR	<u>\$ 45,876</u>	<u>\$ 45,876</u>	<u>\$ 77,156</u>	<u>\$ 31,280</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 MAJOR STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
State grants	\$ 65,000	\$ 65,000	\$ 97,375	\$ 32,375
Expenditures:				
General government administration	\$ 21,500	\$ 21,500	\$ 4,065	\$ 17,435
Public works:				
Construction	6,833	6,833	39,450	( 32,617)
Surface maintenance	35,200	35,200	32,970	2,230
Traffic services	1,300	1,300	638	662
Winter maintenance	27,000	27,000	23,784	3,216
TOTAL EXPENDITURES	\$ 91,833	\$ 91,833	\$ 100,907	(\$ 9,074)
EXCESS OF REVENUES (EXPENDITURES)	(\$ 26,833)	(\$ 26,833)	(\$ 3,532)	\$ 23,301
Other financing sources (uses) -				
Operating transfers in	25,000	25,000	24,670	( 330)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 1,833)	(\$ 1,833)	\$ 21,138	\$ 22,971
Fund balance, beginning of year	6,326	6,326	6,326	-
FUND BALANCE, END OF YEAR	\$ 4,493	\$ 4,493	\$ 27,464	\$ 22,971

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
LOCAL STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
State grants	\$ 25,000	\$ 25,000	\$ 47,011	\$ 22,011
Expenditures:				
General government administration	\$ 12,200	\$ 12,200	\$ 2,759	\$ 9,441
Public works:				
Construction	6,000	6,000	39,450	( 33,450)
Surface maintenance	34,500	34,500	35,016	( 516)
Traffic services	16,358	16,358	508	15,850
Winter maintenance	29,000	29,000	21,054	7,946
TOTAL EXPENDITURES	\$ 98,058	\$ 98,058	\$ 98,787	(\$ 729)
EXCESS OF REVENUES (EXPENDITURES)	(\$ 73,058)	(\$ 73,058)	(\$ 51,776)	\$ 21,282
Other financing sources (uses) -				
Operating transfers in	57,200	57,200	41,766	( 15,434)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 15,858)	(\$ 15,858)	(\$ 10,010)	\$ 5,848
Fund balance, beginning of year	10,026	10,026	10,026	-
FUND BALANCE, END OF YEAR	(\$ 5,832)	(\$ 5,832)	\$ 16	\$ 5,848

See accompanying note to budgetary comparison schedules.



VILLAGE OF BARAGA, MICHIGAN

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the year ended February 28, 2005

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues -				
Taxes	\$ 27,000	\$ 27,000	\$ 24,952	(\$ 2,048)
Expenditures	-	-	-	-
EXCESS OF REVENUES (EXPENDITURES)	\$ 27,000	\$ 27,000	\$ 24,952	(\$ 2,048)
Other financing sources (uses) -				
Operating transfers out	( 27,000)	( 27,000)	( 24,754)	2,246
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 198	\$ 198
Fund balance, beginning of year	9,767	9,767	9,767	-
FUND BALANCE, END OF YEAR	<u>\$ 9,767</u>	<u>\$ 9,767</u>	<u>\$ 9,965</u>	<u>\$ 198</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
WATERFRONT FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Rents and fees	\$ 10,500	\$ 10,500	\$ 10,722	\$ 222
Expenditures -				
Culture and recreation	<u>10,500</u>	<u>10,500</u>	<u>14,417</u>	( <u>3,917</u> )
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(\$ 3,695)	(\$ 3,695)
Other financing sources				
(uses) -				
Operating transfers in	<u>-</u>	<u>-</u>	<u>3,650</u>	<u>3,650</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	(\$ 45)	(\$ 45)
Fund balance, beginning of year	<u>57</u>	<u>57</u>	<u>57</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 12</u>	<u>(\$ 45)</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
HOUSING REHABILITATION FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Miscellaneous	\$ -	\$ -	\$ 2,475	\$ 2,475
Expenditures -				
Other	-	-	114	( 114)
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	\$ 2,361	\$ 2,361
Fund balance, beginning of year	10,016	10,016	10,016	-
FUND BALANCE, END OF YEAR	<u>\$ 10,016</u>	<u>\$ 10,016</u>	<u>\$ 12,377</u>	<u>\$ 2,361</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
REVOLVING LOAN FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2005

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Interest	\$ 5,000	\$ 5,000	\$ 32,833	\$ 27,833
Loan revenue -				
Loan repayments	<u>95,000</u>	<u>95,000</u>	<u>70,753</u>	( <u>24,247</u> )
TOTAL REVENUES	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 103,586</u>	<u>\$ 3,586</u>
Expenditures:				
General government				
administration	\$ -	\$ -	\$ 1,952	(\$ 1,952)
Loans and				
contingencies	<u>87,000</u>	<u>87,000</u>	<u>34,000</u>	<u>53,000</u>
Other	<u>3,000</u>	<u>3,000</u>	<u>334</u>	<u>2,666</u>
TOTAL EXPENDITURES	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 36,286</u>	<u>\$ 53,714</u>
EXCESS OF REVENUES				
(EXPENDITURES)	\$ 10,000	\$ 10,000	\$ 67,300	\$ 57,300
Other financing sources				
(uses) -				
Operating transfers				
out	( <u>10,000</u> )	( <u>10,000</u> )	( <u>10,000</u> )	\$ -
EXCESS OF REVENUES				
AND OTHER SOURCES				
(EXPENDITURES AND				
OTHER USES)	\$ -	\$ -	\$ 57,300	\$ 57,300
Fund balance,				
beginning of year	<u>261,967</u>	<u>261,967</u>	<u>261,967</u>	-
FUND BALANCE,				
END OF YEAR	<u>\$ 261,967</u>	<u>\$ 261,967</u>	<u>\$ 319,267</u>	<u>\$ 57,300</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended February 28, 2005

BUDGETARY INFORMATION

A draft of the budget is prepared by the Village Manager. The budget is then finalized during a series of budget work sessions with the Village Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in February before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 28, 2005, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Major Street	\$ 91,833	\$ 100,907
Local Street	98,058	98,787
Waterfront	10,500	14,417
Housing Rehabilitation	-	114

OTHER FINANCIAL INFORMATION

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF REVENUES AND OPERATING TRANSFERS IN  
BUDGET AND ACTUAL  
For the year ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL PROPERTY TAXES</u>		
Current tax levy	\$ 140,500	\$ 92,207
Interest and penalties	300	12
Administrative fees	1,000	1,089
Delinquent taxes	<u>1,500</u>	<u>50,200</u>
TOTAL GENERAL PROPERTY TAXES	<u>\$ 143,300</u>	<u>\$ 143,508</u>
 <u>INTERGOVERNMENTAL REVENUES</u>		
State shared revenues	\$ 150,000	\$ 142,450
Liquor license	1,500	1,712
Keweenaw Bay Indian Community	<u>25,000</u>	<u>21,390</u>
TOTAL INTERGOVERNMENTAL REVENUES	<u>\$ 176,500</u>	<u>\$ 165,552</u>
 <u>SERVICE CHARGES</u>		
Sales of cemetery lots	\$ 500	\$ 2,150
Industrial park rentals	3,500	2,810
Other rentals and charges	<u>4,000</u>	<u>4,506</u>
TOTAL SERVICE CHARGES	<u>\$ 8,000</u>	<u>\$ 9,466</u>
 <u>OTHER</u>		
Investment income	\$ 1,000	\$ 9,279
Reimbursements	210,600	223,721
District court ordinance fees	500	1,750
Miscellaneous	<u>30,800</u>	<u>91,415</u>
TOTAL OTHER	<u>\$ 242,900</u>	<u>\$ 326,165</u>
 <u>OPERATING TRANSFERS IN</u>		
Other funds	<u>\$ 455,800</u>	<u>\$ 410,000</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL  
For the year ended February 28, 2005

<u>GENERAL GOVERNMENT</u>	<u>Budget</u>	<u>Actual</u>
Village Council:		
Salaries and wages	\$ 8,500	\$ 12,750
Dues and memberships	1,700	5,510
Printing and publishing	3,000	2,050
Conventions and travel	1,000	59
Contracted services	3,000	-
Miscellaneous	1,000	1,358
	<u>\$ 18,200</u>	<u>\$ 21,727</u>
Village Manager:		
Salaries and wages	\$ 29,000	\$ 12,916
Operating supplies	1,500	153
Vehicle expense	3,900	3,900
Telephone	1,400	660
Conventions and travel	800	3,525
Miscellaneous	1,100	1,160
	<u>\$ 37,700</u>	<u>\$ 22,314</u>
Election expense:		
Salaries and wages	\$ 1,500	\$ 442
Operating supplies	1,700	130
Printing and publishing	500	-
Miscellaneous	100	31
	<u>\$ 3,800</u>	<u>\$ 603</u>
Attorney - professional fees	<u>\$ 20,000</u>	<u>\$ 5,038</u>
Clerk:		
Salaries	\$ 5,200	\$ 7,245
Office supplies	500	783
Printing and publishing	300	-
Conventions and travel	500	-
Miscellaneous	100	-
	<u>\$ 6,600</u>	<u>\$ 8,028</u>
Treasurer:		
Salaries and wages	\$ 3,000	\$ 2,292
Operating supplies	3,000	1,007
Printing and publishing	1,000	735
Miscellaneous	100	42
	<u>\$ 7,100</u>	<u>\$ 4,076</u>



VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For the year ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>		
General administrative:		
Salaries and wages	\$ 19,000	\$ 18,159
Operating supplies	5,000	7,262
Utilities	6,000	6,638
Contracted services	10,000	9,206
Conventions and travel	-	269
Miscellaneous	1,000	834
Capital outlay	9,600	-
	<u>\$ 50,600</u>	<u>\$ 42,368</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 144,000</u>	<u>\$104,154</u>
 <u>PUBLIC SAFETY</u>		
Police department:		
Salaries and wages	\$ 122,400	\$114,707
Operating supplies	4,100	4,303
Utilities	1,500	1,585
Vehicle expense	4,500	4,579
Telephone	3,000	1,418
Conventions and travel	2,000	556
Miscellaneous	100	272
Capital outlay	12,000	-
	<u>\$ 149,600</u>	<u>\$127,420</u>
 Fire department:		
Salaries and wages	\$ 7,500	\$ 12,715
Operating supplies	3,500	1,742
Vehicle expense	3,000	1,975
Utilities	2,700	4,843
Contracted services	500	780
Debt service	30,000	57,549
Miscellaneous	2,100	-
Capital outlay	5,000	43,344
	<u>\$ 54,300</u>	<u>\$122,948</u>
TOTAL PUBLIC SAFETY	<u>\$ 203,900</u>	<u>\$250,368</u>
 <u>PUBLIC WORKS</u>		
Cemetery:		
Salaries and wages	\$ 3,000	\$ 1,361
Operating supplies	500	255
Utilities	300	-
Equipment rental	500	340
Contracted services	500	-
Capital outlay	500	-
	<u>\$ 5,300</u>	<u>\$ 1,956</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL (CONTINUED)  
For the year ended February 28, 2005

<u>PUBLIC WORKS (CONTINUED)</u>	<u>Budget</u>	<u>Actual</u>
Garage and equipment:		
Salaries and wages	\$ 46,000	\$ 31,764
Operating supplies	15,000	18,759
Equipment rental	9,000	6,935
Contracted services	10,000	14,020
Utilities	5,000	8,450
Conventions and travel	300	2,197
Miscellaneous	1,500	193
Capital outlay	1,000	1,784
	<u>\$ 87,800</u>	<u>\$ 84,102</u>
Gateway project - Contracted services	\$ -	\$ 4,604
TOTAL PUBLIC WORKS	<u>\$ 93,100</u>	<u>\$ 90,662</u>
<u>HEALTH AND WELFARE</u>		
Public housing - salaries and wages	\$ 500	\$ 460
Community promotion - community projects	24,000	17,736
TOTAL HEALTH AND WELFARE	<u>\$ 24,500</u>	<u>\$ 18,196</u>
<u>CULTURE AND RECREATION</u>		
Village parks and recreation:		
Salaries	\$ 7,500	\$ 245
Operating supplies	1,000	-
Repairs and maintenance	1,500	458
Contracted services	2,500	17,093
Utilities	8,000	9,970
Equipment rental	1,000	56
Capital outlay	500	-
Miscellaneous	100	-
TOTAL CULTURE AND RECREATION	<u>\$ 22,100</u>	<u>\$ 27,822</u>
<u>OTHER</u>		
Insurance and bonds	\$ 44,000	\$ 55,153
Payroll taxes	42,000	47,057
Retirement plan	122,400	107,240
Hospitalization insurance	220,000	214,814
Vacation, holiday, and sick pay	52,000	46,167
Clothing allowance	3,500	2,397
Capital outlay	100	-
Miscellaneous	21,100	10,888
Contracted services	3,800	133
TOTAL OTHER	<u>\$ 508,900</u>	<u>\$ 483,849</u>
<u>OPERATING TRANSFERS OUT</u>		
Component unit	<u>\$ 30,000</u>	<u>\$ 48,361</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
February 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>			
Cash in bank	\$ 38,232	\$ 4,201	\$ -
Delinquent taxes receivable	-	-	10,916
Notes receivable	-	-	-
Due from other funds	-	8,200	10,797
Due from component units	-	-	-
Due from other governmental units	-	-	5,335
TOTAL ASSETS	<u>\$ 38,232</u>	<u>\$ 12,401</u>	<u>\$ 27,048</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable, compensation, and payroll taxes	-	-	-
Due to other funds	10,768	12,385	4,000
Deferred revenue	-	-	13,083
TOTAL LIABILITIES	\$ 10,768	\$ 12,385	\$ 17,083
<u>FUND BALANCES</u>			
Unreserved	<u>27,464</u>	<u>16</u>	<u>9,965</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,232</u>	<u>\$ 12,401</u>	<u>\$ 27,048</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ 9,792	\$ 323,545	\$ 375,770
-	-	-	10,916
-	2,585	952,102	954,687
14,360	-	-	33,357
-	-	50	50
-	-	-	5,335
<u>\$ 14,360</u>	<u>\$ 12,377</u>	<u>\$1,275,697</u>	<u>\$1,380,115</u>
\$ 12,082	\$ -	\$ -	\$ 12,082
1,205	-	50	1,255
1,061	-	4,278	32,492
-	-	952,102	965,185
<u>\$ 14,348</u>	<u>\$ -</u>	<u>\$ 956,430</u>	<u>\$1,011,014</u>
<u>12</u>	<u>12,377</u>	<u>319,267</u>	<u>369,101</u>
<u>\$ 14,360</u>	<u>\$ 12,377</u>	<u>\$1,275,697</u>	<u>\$1,380,115</u>

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the year ended February 28, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES</u>			
Current tax levy	\$ -	\$ -	\$ 24,952
Intergovernmental revenues	97,375	47,011	-
Interest income	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 97,375</u>	<u>\$ 47,011</u>	<u>\$ 24,952</u>
<u>EXPENDITURES</u>			
Administration	\$ 4,065	\$ 2,759	\$ -
Culture and recreation	-	-	-
Economic development	-	-	-
Other	-	-	-
Streets:			
Construction	39,450	39,450	-
Surface maintenance	32,970	35,016	-
Winter maintenance	23,784	21,054	-
Traffic services	638	508	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$100,907</u>	<u>\$ 98,787</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(\$ 3,532)</u>	<u>(\$ 51,776)</u>	<u>\$ 24,952</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other funds	\$ -	\$ 17,096	\$ -
Operating transfers to other funds	-	-	( 15,896)
Operating transfers from component units	24,670	24,670	-
Operating transfers to component units	-	-	( 8,858)
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 24,670</u>	<u>\$ 41,766</u>	<u>(\$ 24,754)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 21,138</u>	<u>(\$ 10,010)</u>	<u>\$ 198</u>
Fund balances March 1, 2004	<u>6,326</u>	<u>10,026</u>	<u>9,767</u>
FUND BALANCES FEBRUARY 28, 2005	<u>\$ 27,464</u>	<u>\$ 16</u>	<u>\$ 9,965</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 24,952
-	-	-	144,386
-	-	32,833	32,833
<u>10,722</u>	<u>2,475</u>	<u>70,753</u>	<u>83,950</u>
\$ <u>10,722</u>	\$ <u>2,475</u>	\$ <u>103,586</u>	\$ <u>286,121</u>
\$ -	\$ -	\$ 1,952	\$ 8,776
14,417	-	-	14,417
-	-	34,000	34,000
-	114	334	448
-	-	-	78,900
-	-	-	67,986
-	-	-	44,838
-	-	-	<u>1,146</u>
\$ <u>14,417</u>	\$ <u>114</u>	\$ <u>36,286</u>	\$ <u>250,511</u>
(\$ <u>3,695</u> )	\$ <u>2,361</u>	\$ <u>67,300</u>	\$ <u>35,610</u>
\$ 3,650	\$ -	\$ -	\$ 20,746
-	-	( 10,000)	( 25,896)
-	-	-	49,340
-	-	-	( 8,858)
\$ <u>3,650</u>	\$ <u>-</u>	(\$ <u>10,000</u> )	\$ <u>35,332</u>
(\$ 45)	\$ 2,361	\$ 57,300	\$ 70,942
<u>57</u>	<u>10,016</u>	<u>261,967</u>	<u>298,159</u>
\$ <u><u>12</u></u>	\$ <u><u>12,377</u></u>	\$ <u><u>319,267</u></u>	\$ <u><u>369,101</u></u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING BALANCE SHEET  
 February 28, 2005

	<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>
<u>CURRENT ASSETS</u>			
Cash in bank		\$ 69,846	\$ -
Investments		-	-
Investment in joint venture		-	-
Accounts receivable		11,572	-
Due from other funds		584	5,975
Due from component units		-	-
Due from other governmental units		-	31,856
	TOTAL CURRENT ASSETS	\$ 82,002	\$ 37,831
<u>PROPERTY, PLANT, AND EQUIPMENT</u>			
Property, plant, and equipment		\$7,165,668	\$ 8,480
Accumulated depreciation		( 1,805,399)	( 7,600)
	TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$5,360,269	\$ 880
<u>OTHER ASSETS</u>			
Restricted assets - cash		\$ 157,975	\$ -
Investment in Baraga Village/Keweenaw Bay		-	2,550,604
Reservation Waste Water Authority		-	-
	TOTAL OTHER ASSETS	\$ 157,975	\$2,550,604
	TOTAL ASSETS	\$5,600,246	\$2,589,315
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes	\$ 8,678	\$	269
Cash overdraft	-		35,455
Accrued interest payable	16,210		-
Due to other funds	40,001		6,417
Payable from restricted assets - customer deposits	-		-
Current maturities on long-term debt	38,500		-
	TOTAL CURRENT LIABILITIES	\$ 103,389	\$ 42,141
<u>LONG-TERM LIABILITIES</u>			
Revenue bonds payable, net of current maturities	1,843,500		-
	TOTAL LIABILITIES	\$1,946,889	\$ 42,141
<u>FUND EQUITY</u>			
Contributed capital		\$3,560,904	\$2,358,736
Retained earnings (deficit) - unreserved		( 65,522)	188,438
Retained earnings - reserved for			
Bond retirement		157,975	-
	TOTAL FUND EQUITY	\$3,653,357	\$2,547,174
	TOTAL LIABILITIES AND FUND EQUITY	\$5,600,246	\$2,589,315

The accompanying notes to financial statements  
 are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 699,814	\$ 769,660
181,104	181,104
113,169	113,169
22,913	34,485
7,138	13,697
3,000	3,000
<u>99,395</u>	<u>131,251</u>
<u>\$1,126,533</u>	<u>\$1,246,366</u>
 \$1,340,698	 \$8,514,846
( <u>891,640</u> )	( <u>2,704,639</u> )
<u>\$ 449,058</u>	<u>\$5,810,207</u>
 \$ 31,880	 \$ 189,855
<u>-</u>	<u>2,550,604</u>
<u>\$ 31,880</u>	<u>\$2,740,459</u>
<u><u>\$1,607,471</u></u>	<u><u>\$9,797,032</u></u>
 \$ 62,041	 \$ 70,988
-	35,455
-	16,210
19,123	65,541
31,880	31,880
<u>-</u>	<u>38,500</u>
<u>\$ 113,044</u>	<u>\$ 258,574</u>
 -	 <u>1,843,500</u>
<u>\$ 113,044</u>	<u>\$2,102,074</u>
 \$ 208,442	 \$6,128,082
1,285,985	1,408,901
<u>-</u>	<u>157,975</u>
<u>\$1,494,427</u>	<u>\$7,694,958</u>
<u><u>\$1,607,471</u></u>	<u><u>\$9,797,032</u></u>



VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 For the year ended February 28, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	Total (Memorandum Only)
<u>OPERATING REVENUES</u>	\$ 388,145	\$ 124,213	\$1,523,805	\$ 2,036,163
<u>OPERATING EXPENSES</u>				
See schedule	<u>484,238</u>	<u>127,179</u>	<u>1,103,793</u>	<u>1,715,210</u>
OPERATING INCOME (LOSS)	(\$ <u>96,093</u> )	(\$ <u>2,966</u> )	\$ <u>420,012</u>	\$ <u>320,953</u>
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Interest income	\$ 1,199	\$ -	\$ 22,816	\$ 24,015
Interest expense on notes and bonds	( 65,214)	-	-	( 65,214)
Distributions	-	-	14,788	14,788
Income (loss) from investments	<u>-</u>	<u>( 88,886)</u>	<u>-</u>	<u>( 88,886)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ <u>64,015</u> )	(\$ <u>88,886</u> )	\$ <u>37,604</u>	(\$ <u>115,297</u> )
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	(\$ <u>160,108</u> )	(\$ <u>91,852</u> )	\$ <u>457,616</u>	\$ <u>205,656</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES)</u>				
Operating transfers from other governmental units	\$ 41,061	\$ -	\$ -	\$ 41,061
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>( 404,850)</u>	<u>( 404,850)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>41,061</u>	\$ <u>-</u>	\$ <u>404,850)</u>	(\$ <u>363,789</u> )
NET INCOME (LOSS)	(\$ <u>119,047</u> )	(\$ <u>91,852</u> )	\$ <u>52,766</u>	(\$ <u>158,133</u> )
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	<u>74,135</u>	<u>121,750</u>	<u>31,013</u>	<u>226,898</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ <u>44,912</u> )	\$ <u>29,898</u>	\$ <u>83,779</u>	\$ <u>68,765</u>
Retained earnings (deficit) March 1, 2004	<u>137,365</u>	<u>158,540</u>	<u>1,202,206</u>	<u>1,498,111</u>
RETAINED EARNINGS (DEFICIT)				
FEBRUARY 28, 2005	<u>\$ 92,453</u>	<u>\$ 188,438</u>	<u>\$1,285,985</u>	<u>\$ 1,566,876</u>

The accompanying notes to financial statements  
 are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING SCHEDULE OF OPERATING EXPENSES  
For the year ended February 28, 2005

<u>OPERATING EXPENSES</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total (Memorandum Only)</u>
Salaries and wages	\$ 106,302	\$ 58,906	\$ 49,010	\$ 214,218
Vacation, holiday, and sick pay	8,790	6,016	4,072	18,878
Payroll taxes	8,132	4,506	3,749	16,387
Retirement plan	20,135	12,465	8,438	41,038
Hospitalization insurance	40,174	24,870	16,835	81,879
Power purchased	-	-	874,130	874,130
Office supplies and postage	2,254	112	123	2,489
Operating supplies	31,603	9,167	7,252	48,022
Repairs and maintenance	4,006	668	-	4,674
Equipment rental	2,164	209	13,075	15,448
Sales tax	-	-	23,751	23,751
Utilities	31,765	-	-	31,765
Insurance and bonds	3,177	1,809	1,225	6,211
Contracted services	20,083	8,173	37,203	65,459
Provision for depreciation	200,666	278	62,939	263,883
Miscellaneous	4,987	-	1,991	6,978
TOTAL OPERATING EXPENSES	<u>\$ 484,238</u>	<u>\$ 127,179</u>	<u>\$1,103,793</u>	<u>\$ 1,715,210</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING STATEMENT OF CASH FLOWS  
 For the year ended February 28, 2005

	<u>Water</u>	<u>Sewer</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating income (loss)	(\$ 96,093)	(\$ 2,966)
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	200,666	278
Changes in assets and liabilities:		
Accounts receivable (increase) decrease	( 2,239)	-
Due from other governmental units	97,100	( 4,607)
Accounts payable increase (decrease)	( 182,963)	( 1,171)
Accrued interest payable increase (decrease)	( 149)	-
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 16,322</u>	<u>(\$ 8,466)</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>NONCAPITAL FINANCING ACTIVITIES</u>		
Due to other funds increase (decrease)	(\$ 7,372)	\$ 3,879
Due from other funds (increase) decrease	254	7,601
Transfers from other governmental units	41,061	-
Transfers to other funds	-	-
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>\$ 33,943</u>	<u>\$ 11,480</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Restricted assets (increase) decrease	(\$ 14,663)	\$ -
Acquisition of property, plant, and equipment	( 139,235)	-
Contributed capital	204,300	-
Payments on revenue bonds	( 38,000)	-
Interest paid on revenue bonds	( 65,214)	-
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(\$ 52,812)</u>	<u>\$ -</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>INVESTING ACTIVITIES</u>		
Interest received on investments	\$ 1,199	\$ -
Investments (increase) decrease	-	-
Distributions from investments	-	-
Investment in joint venture (increase) decrease	-	-
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 1,199</u>	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH	(\$ 1,348)	\$ 3,014
Cash at March 1, 2004	<u>71,194</u>	<u>( 38,469)</u>
Cash at February 28, 2005	<u><u>\$ 69,846</u></u>	<u><u>(\$ 35,455)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 420,012	\$ 320,953
62,939	263,883
( 6,973)	( 9,212)
14,250	106,743
51,744	( 132,390)
<u>-</u>	<u>( 149)</u>
<u>\$ 541,972</u>	<u>\$ 549,828</u>
\$ 4,993	\$ 1,500
5,844	13,699
-	41,061
<u>( 404,850)</u>	<u>( 404,850)</u>
<u>(\$ 394,013)</u>	<u>(\$ 348,590)</u>
(\$ 370)	(\$ 15,033)
( 12,216)	( 151,451)
-	204,300
-	( 38,000)
<u>-</u>	<u>( 65,214)</u>
<u>(\$ 12,586)</u>	<u>(\$ 65,398)</u>
\$ 22,816	\$ 24,015
( 3,498)	( 3,498)
14,788	14,788
<u>( 5,077)</u>	<u>( 5,077)</u>
<u>\$ 29,029</u>	<u>\$ 30,228</u>
\$ 164,402	\$ 166,068
<u>535,412</u>	<u>568,137</u>
<u>\$ 699,814</u>	<u>\$ 734,205</u>

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
BALANCE SHEETS

	<u>February 28,</u> <u>2005</u>	<u>February 29,</u> <u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 69,846	\$ 71,194
Accounts receivable	11,572	9,333
Due from other funds	584	838
Due from other governmental units	<u>-</u>	<u>97,100</u>
TOTAL CURRENT ASSETS	\$ 82,002	\$ 178,465
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 7,165,668	\$ 4,110,864
Accumulated depreciation	( 1,805,399)	( 1,604,733)
Construction in process	<u>-</u>	<u>2,915,570</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 5,360,269	\$ 5,421,701
<u>OTHER ASSETS</u>		
Restricted assets - cash	\$ 157,975	\$ 143,312
TOTAL ASSETS	<u>\$ 5,600,246</u>	<u>\$ 5,743,478</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 8,678	\$ 191,641
Accrued interest payable	16,210	16,359
Due to other funds	40,001	47,373
Current maturities on long-term debt	<u>38,500</u>	<u>37,000</u>
TOTAL CURRENT LIABILITIES	\$ 103,389	\$ 292,373
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>1,843,500</u>	<u>1,883,000</u>
TOTAL LIABILITIES	\$ 1,946,889	\$ 2,175,373
<u>FUND EQUITY</u>		
Contributed capital	\$ 3,560,904	\$ 3,430,740
Retained earnings (deficit) - unreserved	( 39,158)	9,427
Retained earnings - reserved:		
Revenue bond retirement	33,224	30,108
Bond reserve accounts	<u>98,387</u>	<u>97,830</u>
TOTAL FUND EQUITY	\$ 3,653,357	\$ 3,568,105
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,600,246</u>	<u>\$ 5,743,478</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
WATER FUND  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2005</u>	<u>February 29,</u> <u>2004</u>
<u>OPERATING REVENUES</u>	\$ 388,145	\$ 369,068
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 106,302	\$ 112,052
Vacation, holiday, and sick pay	8,790	9,673
Payroll taxes	8,132	8,572
Retirement plan	20,135	20,010
Hospitalization insurance	40,174	37,209
Office supplies	2,254	845
Operating supplies	31,603	21,657
Repairs and maintenance	4,006	5,744
Equipment rental	2,164	5,173
Utilities and heating	31,765	20,493
Insurance and bonds	3,177	5,127
Contracted services	20,083	2,152
Provision for depreciation	200,666	136,262
Miscellaneous	4,987	953
TOTAL OPERATING EXPENSES	\$ 484,238	\$ 385,922
OPERATING INCOME (LOSS)	(\$ 96,093)	(\$ 16,854)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 1,199	\$ 1,871
Interest expense on bonds	( 65,214)	( 44,518)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 64,015)	(\$ 42,647)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating transfers from other governmental units	\$ 41,061	\$ -
NET INCOME (LOSS)	(\$ 119,047)	(\$ 59,501)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	74,135	56,243
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 44,912)	(\$ 3,258)
Retained earnings (deficit) March 1, 2004 and 2003	137,365	140,623
RETAINED EARNINGS (DEFICIT) FEBRUARY 28, 2005 AND FEBRUARY 29, 2004	\$ 92,453	\$ 137,365

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	\$ 397,600	\$ 388,145	(\$ 9,455)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 130,000	\$ 106,302	\$ 23,698
Vacation, holiday, and sick pay	-	8,790	( 8,790)
Payroll taxes	86,900	8,132	78,768
Retirement plan	-	20,135	( 20,135)
Hospitalization insurance	-	40,174	( 40,174)
Office supplies	100	2,254	( 2,154)
Operating supplies	24,000	31,603	( 7,603)
Repairs and maintenance	9,900	4,006	5,894
Equipment rental	4,800	2,164	2,636
Utilities and heating	19,000	31,765	( 12,765)
Insurance and bonds	5,000	3,177	1,823
Contracted services	7,000	20,083	( 13,083)
Provision for depreciation	-	200,666	( 200,666)
Miscellaneous	6,900	4,987	1,913
TOTAL OPERATING EXPENSES	\$ 293,600	\$ 484,238	(\$ 190,638)
OPERATING INCOME (LOSS)	\$ 104,000	(\$ 96,093)	(\$ 200,093)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	\$ 1,000	\$ 1,199	\$ 199
Interest expense on bonds	( 105,000)	( 65,214)	39,786
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 104,000)	(\$ 64,015)	\$ 39,985
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other governmental units	\$ -	\$ 41,061	\$ 41,061
NET INCOME (LOSS)	\$ -	(\$ 119,047)	(\$ 119,047)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	-	74,135	74,135
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	(\$ 44,912)	(\$ 44,912)
Retained earnings (deficit) March 1, 2004	137,365	137,365	-
RETAINED EARNINGS (DEFICIT) FEBRUARY 28, 2005	\$ 137,365	\$ 92,453	(\$ 44,912)

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
BALANCE SHEETS

	February 28, <u>2005</u>	February 29, <u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Due from other funds	\$ 5,975	\$ 13,576
Due from other governmental units	<u>31,856</u>	<u>27,249</u>
TOTAL CURRENT ASSETS	\$ <u>37,831</u>	\$ <u>40,825</u>
<u>PROPERTY AND EQUIPMENT</u>		
Equipment	\$ 8,480	\$ 8,480
Accumulated depreciation	( <u>7,600</u> )	( <u>7,322</u> )
TOTAL PROPERTY AND EQUIPMENT	\$ <u>880</u>	\$ <u>1,158</u>
<u>OTHER ASSETS</u>		
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	<u>\$ 2,550,604</u>	<u>\$ 2,639,490</u>
TOTAL ASSETS	<u>\$ 2,589,315</u>	<u>\$ 2,681,473</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 269	\$ 1,440
Cash overdraft	35,455	38,469
Due to other funds	<u>6,417</u>	<u>2,538</u>
TOTAL LIABILITIES	\$ <u>42,141</u>	\$ <u>42,447</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 2,358,736	\$ 2,480,486
Retained earnings (deficit) - Unreserved	<u>188,438</u>	<u>158,540</u>
TOTAL FUND EQUITY	<u>\$ 2,547,174</u>	<u>\$ 2,639,026</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,589,315</u>	<u>\$ 2,681,473</u>

The accompanying notes to financial statements  
are an integral part of this statement.



VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Year Ended	
	February 28, 2005	February 29, 2004
<u>OPERATING REVENUES</u>	<u>\$ 124,213</u>	<u>\$ 115,455</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 58,906	\$ 69,035
Vacation, holiday, and sick pay	6,016	5,988
Payroll taxes	4,506	7,192
Retirement plan	12,465	12,387
Hospitalization insurance	24,870	23,034
Office supplies and postage	112	357
Operating supplies	9,167	2,370
Repairs and maintenance	668	1,017
Equipment rental	209	-
Utilities	-	241
Insurance and bonds	1,809	1,106
Contracted services	8,173	3,948
Provision for depreciation	278	231
Miscellaneous	-	5
TOTAL OPERATING EXPENSES	<u>\$ 127,179</u>	<u>\$ 126,911</u>
OPERATING LOSS	(\$ 2,966)	(\$ 11,456)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain (loss) from investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	( 88,886)	( 82,457)
NET INCOME (LOSS)	(\$ 91,852)	(\$ 93,913)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>121,750</u>	<u>121,750</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>\$ 29,898</u>	<u>\$ 27,837</u>
Retained earnings March 1, 2004 and 2003	<u>158,540</u>	<u>130,703</u>
RETAINED EARNINGS FEBRUARY 28, 2005 AND FEBRUARY 29, 2004	<u>\$ 188,438</u>	<u>\$ 158,540</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	\$ 147,200	\$ 124,213	(\$ 22,987)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 67,000	\$ 58,906	\$ 8,094
Vacation, holiday, and sick pay	-	6,016	( 6,016)
Payroll taxes	54,000	4,506	49,494
Retirement plan	-	12,465	( 12,465)
Hospitalization insurance	-	24,870	( 24,870)
Office supplies and postage	-	112	( 112)
Operating supplies	7,000	9,167	( 2,167)
Repairs and maintenance	6,000	668	5,332
Equipment rental	1,500	209	1,291
Utilities	1,100	-	1,100
Insurance and bonds	2,500	1,809	691
Contracted services	7,000	8,173	( 1,173)
Provision for depreciation	-	278	( 278)
Miscellaneous	1,100	-	1,100
TOTAL OPERATING EXPENSES	\$ 147,200	\$ 127,179	\$ 20,021
OPERATING INCOME (LOSS)	\$ -	(\$ 2,966)	(\$ 2,966)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Gain (loss) from investments in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	\$ -	(\$ 88,886)	(\$ 88,886)
NET INCOME	\$ -	\$ 91,852	(\$ 91,852)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	-	121,750	121,750
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	\$ 29,898	\$ 29,898
Retained earnings March 1, 2004	158,540	158,540	-
RETAINED EARNINGS FEBRUARY 28, 2005	\$ 158,540	\$ 188,438	\$ 29,898

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
BALANCE SHEETS

	February 28, 2005	February 29, 2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 699,814	\$ 535,412
Investments	181,104	177,606
Investment in joint venture	113,169	108,092
Accounts receivable	22,913	15,940
Due from other funds	7,138	12,982
Due from component unit	3,000	3,000
Due from other governmental units	99,395	113,645
TOTAL CURRENT ASSETS	\$ 1,126,533	\$ 966,677
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 1,340,698	\$ 1,328,482
Accumulated depreciation	( 891,640)	( 828,701)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 449,058	\$ 499,781
<u>OTHER ASSETS</u>		
Restricted assets - Cash	\$ 31,880	\$ 31,510
TOTAL ASSETS	\$ 1,607,471	\$ 1,497,968
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 62,041	\$ 10,667
Payable from restricted assets - customer deposits	31,880	31,510
Due to other funds	19,123	14,130
TOTAL LIABILITIES	\$ 113,044	\$ 56,307
<u>FUND EQUITY</u>		
Contributed capital	\$ 208,442	\$ 239,455
Retained earnings - unreserved	1,285,985	1,202,206
TOTAL FUND EQUITY	\$ 1,494,427	\$ 1,441,661
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,607,471	\$ 1,497,968

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u>	<u>February 29,</u>
	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>	\$ 1,523,805	\$ 1,459,475
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 49,010	\$ 55,320
Vacation, holiday, and sick pay	4,072	4,053
Payroll taxes	3,749	5,525
Retirement plan	8,438	8,385
Hospitalization insurance	16,835	15,592
Power purchased	874,130	735,065
Office supplies and postage	123	914
Operating supplies	7,252	30,491
Equipment rental	13,075	12,556
Sales tax	23,751	23,856
Insurance	1,225	749
Contracted services	37,203	25,682
Provision for depreciation	62,939	67,550
Miscellaneous	1,991	1,425
TOTAL OPERATING EXPENSES	\$ 1,103,793	\$ 987,163
OPERATING INCOME	\$ 420,012	\$ 472,312
<u>NON-OPERATING REVENUES</u>		
Interest income	\$ 22,816	\$ 22,773
Distributions	14,788	-
TOTAL NON-OPERATING REVENUES	\$ 37,604	\$ 22,773
INCOME BEFORE OPERATING TRANSFERS	\$ 457,616	\$ 495,085
<u>OPERATING TRANSFERS IN (OUT)</u>		
Other funds	(\$ 404,850)	(\$ 448,300)
NET INCOME	\$ 52,766	\$ 46,785
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	31,013	31,013
INCREASE IN RETAINED EARNINGS	\$ 83,779	\$ 77,798
Retained earnings March 1, 2004 and 2003	1,202,206	1,124,408
RETAINED EARNINGS FEBRUARY 28, 2005 AND FEBRUARY 29, 2004	\$ 1,285,985	\$ 1,202,206

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	<u>\$1,327,900</u>	<u>\$1,523,805</u>	<u>\$ 195,905</u>
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 53,000	\$ 49,010	\$ 3,990
Vacation, holiday, and sick pay	-	4,072	( 4,072)
Payroll taxes	36,500	3,749	32,751
Retirement plan	-	8,438	( 8,438)
Hospitalization insurance	-	16,835	( 16,835)
Power purchased	760,000	874,130	( 114,130)
Office supplies and postage	100	123	( 23)
Operating supplies	25,000	7,252	17,748
Equipment rental	12,000	13,075	( 1,075)
Sales tax	23,000	23,751	( 751)
Insurance	3,100	1,225	1,875
Contracted services	15,000	37,203	( 22,203)
Provision for depreciation	-	62,939	( 62,939)
Miscellaneous	<u>57,100</u>	<u>1,991</u>	<u>55,109</u>
TOTAL OPERATING EXPENSES	<u>\$ 984,800</u>	<u>\$1,103,793</u>	<u>(\$ 118,993)</u>
OPERATING INCOME (LOSS)	\$ 343,100	\$ 420,012	\$ 76,912
<u>NON-OPERATING REVENUES</u>			
Interest income	\$ 5,000	\$ 22,816	\$ 17,816
Distributions	-	14,788	14,788
TOTAL NON-OPERATING REVENUES	<u>\$ 5,000</u>	<u>\$ 37,604</u>	<u>\$ 32,604</u>
INCOME (LOSS)			
BEFORE OPERATING TRANSFERS	\$ 348,100	\$ 457,616	\$ 109,516
<u>OPERATING TRANSFERS IN (OUT)</u>	<u>( 445,800)</u>	<u>( 404,850)</u>	<u>40,950</u>
NET INCOME (LOSS)	(\$ 97,700)	\$ 52,766	\$ 150,466
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	-	31,013	31,013
INCREASE (DECREASE)			
IN RETAINED EARNINGS	(\$ 97,700)	\$ 83,779	\$ 181,479
Retained earnings March 1, 2004	<u>1,202,206</u>	<u>1,202,206</u>	-
RETAINED EARNINGS FEBRUARY 28, 2005	<u>\$1,104,506</u>	<u>\$1,285,985</u>	<u>\$ 181,479</u>

The accompanying notes to financial statements  
are an integral part of this statement.

JOSEPH M. DAAVETILA, P.C.  
Certified Public Accountant  
417 Shelden Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 11, 2005

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the Village of Baraga, Michigan as of and for the year ended February 28, 2005, and have issued our report thereon dated October 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Baraga, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Baraga, Michigan, in a separate letter dated October 11, 2005.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the

internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Baraga, Michigan in a separate letter dated October 11, 2005.

This report is intended for the information and use of the Village Council management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

**JOSEPH M. DAAVETILA, P.C.**

*Certified Public Accountant*

417 Shelden Avenue, P.O. Box 488

Houghton, Michigan 49931

October 11, 2005

**JOSEPH M. DAAVETILA, P.C.**

*Certified Public Accountant*

417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

October 11, 2005

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

MANAGEMENT LETTER

In connection with our audit of the financial statements of the Village of Baraga, Michigan for the year ended February 28, 2005, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

When the budgets are prepared, revenues need to equal expenditures. If budgeted expenditures exceed budgeted revenues there needs to be an adequate fund equity to absorb the shortfall. During the year ended February 28, 2005, the Local Street Fund had budgeted expenditures in excess of budgeted revenues in the amount of \$15,858. The Local Street Fund did not have enough fund balance to cover this shortfall.

The following comments have appeared in previous years' reports.

1. Interfund loans were made during the year ended February 28, 2001, from the Major Street Fund, the Local Street Fund, and also from grant money, some of which had not been repaid as of the end of the year. These types of funds are typically restricted in their use and should not be used for any other purpose. If these funds are used for interfund loans, there should be, at a minimum, documentation indicating specifically when the loan is to be repaid and at what rate interest is to be paid. We noted that these loans have been repaid as of February 28, 2005.
2. Cash receiving, depositing, and disbursing functions are all performed by persons having access to accounting records. Ideally, persons handling cash should have no access to accounting records. Also, bank reconciliations are prepared by the same person writing and recording checks. Management has determined that due to the limited size of its staff, it is inefficient and impractical to segregate these duties at this time.
3. We note a continued need for improvement in budget discipline - expenditures and transfers out exceeded appropriations in four funds. We urge the Council to take steps to avoid such excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenues in order to achieve a balanced budget.



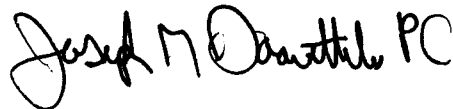
4. Presently, the Village of Baraga depends heavily on the excess revenues of the Electric Fund to finance activities in some of the other funds. There is a significant uncertainty regarding the Electric Fund's ability to continue to generate these excess revenues, which would have a significant impact on the Village's other operations. For instance, for the year ended February 28, 2005, the General Fund would have had a considerable deficit without support from the Electric Fund. We strongly urge the Council to begin developing a plan of action should the Electric Fund no longer be able to finance these other operations of the Village.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 28, 2005 financial statements, and this report does not affect our report on financial statements dated October 11, 2005.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or the integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Very truly yours,



Certified Public Accountant